
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in King Fook Holdings Limited (“the Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.



king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

- (1) PROPOSED RIGHTS ISSUE OF 217,535,825 RIGHTS SHARES
IN THE PROPORTION OF ONE RIGHTS SHARE FOR
EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT
HK\$0.55 PER RIGHTS SHARE
- (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
- (3) APPLICATION FOR WHITEWASH WAIVER

Financial Adviser to the Company



Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

Beijing Securities
Beijing Securities Limited
北京證券有限公司

A notice of EGM to be held at 4:00 p.m. on Wednesday, 29 May 2013 at Tsui Hang Village, 2nd Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong is set out on pages N – 1 and N – 2 of this circular. You are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

It is expected that Shares will be dealt with on an ex-rights basis from Friday, 31 May 2013. The Rights Shares will be dealt with in their nil-paid form from Monday, 10 June 2013 to Tuesday, 18 June 2013. Any person dealing in Shares or Rights Shares between the date of this circular and the date the Rights Issue becomes unconditional will bear the risk that the Rights Issue may not become unconditional and may not proceed.

The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not having been terminated (see the sub-section headed “Termination of the Underwriting Agreement” in the letter from the Board). The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” in the letter from the Board. In particular, it is subject to the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and the Whitewash Waiver having been granted by the Executive.

The Manager and China Everbright (for themselves and on behalf of the Underwriters) may terminate the Underwriting Agreement (without consent of the Company but after such consultation with the Company as far as the circumstances shall admit) in their absolute discretion by notice in writing given to the Company on or before 5:00 p.m. on the third Business Day immediately prior to the Despatch Date if (a) there develops, occurs or comes into force: (1) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of the Manager and China Everbright (for themselves and on behalf of the Underwriters) adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or (2) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of the Manager and China Everbright (for themselves and on behalf of the Underwriters) is materially adverse in the context of the Rights Issue; or (3) any adverse change in market conditions (including without limitation, any change in any stock market, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) which in the absolute opinion of the Manager and China Everbright (for themselves and on behalf of the Underwriters) materially prejudicially affects the Rights Issue and make it inadvisable or inexpedient to proceed therewith, or (b) there comes to the notice of any of the Underwriters any matter or event showing any of the representations and warranties given by the Company in the Underwriting Agreement to be untrue or inaccurate in any respect which the Manager and China Everbright (for themselves and on behalf of the Underwriters) consider to be material. If the Manager and China Everbright (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreement, then the Rights Issue will not proceed.

A letter from Beijing Securities containing its recommendations to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver is set out on pages 22 to 38 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver is set out on pages 20 to 21 of this circular.

13 May 2013

CONTENTS

	<i>Page</i>
Definitions	1
Expected Timetable	5
Letter from the Board	7
Letter from the Independent Board Committee	20
Letter from Beijing Securities	22
Appendix I — Financial Information of the Group	I – 1
Appendix II — Unaudited Pro Forma Financial Information of the Group	II – 1
Appendix III — General Information	III – 1
Notice of Extraordinary General Meeting	N – 1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions used shall have the following meanings:

- “acting in concert” : has the meaning ascribed to it under the Takeovers Code
- “Allotment Posting Date” : Thursday, 6 June 2013 (or such other date as the Manager and China Everbright (for themselves and on behalf of Underwriters) and the Company may agree in writing), being the date of despatch of the Rights Issue Documents
- “Announcement” : the announcement of the Company dated 25 April 2013 relating to, among other things, the Rights Issue and the application for the Whitewash Waiver
- “Beijing Securities” or “Independent Financial Adviser” : Beijing Securities Limited, a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
- “Board” : the board of Directors
- “Business Day” : a day (excluding Saturday, Sunday or a public holiday) on which banks are generally open for business in Hong Kong
- “CCASS” : the Central Clearing and Settlement System established and operated by HKSCC
- “China Everbright” : China Everbright Securities (HK) Limited, a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being a joint underwriter to the Rights Issue
- “Company” : King Fook Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
- “Companies Ordinance” : the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
- “Concert Group” : YCSEL and parties acting in concert with it
- “Despatch Date” : Tuesday, 2 July 2013 (or such other date as the Manager and China Everbright (for themselves and on behalf of the Underwriters) and the Company may agree in writing), being the intended date of despatch of certificates of the Rights Shares to those entitled thereto
- “Director(s)” : the director(s) of the Company

DEFINITIONS

- “EGM” : the extraordinary general meeting of the Company to consider, and, if thought fit, to approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and Increase in Authorised Share Capital
- “Excess Application Form(s)” : the form(s) of application for excess Rights Shares to be used in connection with the Rights Issue
- “Excluded Shareholder(s)” : Overseas Shareholders who the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
- “Executive” : the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
- “Final Acceptance Date” : Friday, 21 June 2013 or such other date as the Manager and China Everbright (for themselves and on behalf of the Underwriters) and the Company may approve, being the last day for acceptance of and payment for the Rights Shares
- “Group” : the Company and its subsidiaries
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China
- “HKSCC” : Hong Kong Securities Clearing Company Limited
- “Increase in Authorised Share Capital” : the proposed increase of the authorised share capital of the Company from HK\$155,000,000 (comprising 620,000,000 Shares) to HK\$300,000,000 by the creation of an additional 580,000,000 Shares
- “Independent Board Committee” : a committee of the Board (comprising Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Chan Chak Cheung, William, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony, all being independent non-executive Directors) established to advise the Independent Shareholders on the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
- “Independent Shareholders” : the Shareholders other than the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver
- “Latest Practicable Date” : 10 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Committee”	:	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	:	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is/are outside Hong Kong
“PRC”	:	the People’s Republic of China
“Principal Shares”	:	the 204,345,055 Shares in which YCSEL has interests, including any further Shares which YCSEL or its associates may acquire on or before the Record Date
“Prospectus”	:	the prospectus to be issued by the Company in relation to the Rights Issue
“Provisional Allotment Letter(s)”	:	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Manager and China Everbright (for themselves and on behalf of the Underwriters) and the Company may approve
“Qualifying Shareholder(s)”	:	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	:	Tuesday, 4 June 2013 or such other date as the Manager and China Everbright (for themselves and on behalf of the Underwriters) and the Company may approve, the record date to determine entitlements to the Rights Issue
“Relevant Period”	:	the period commencing on 25 October 2012 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
“Rights Issue”	:	the issue by the Company of 217,535,825 Rights Shares at the Subscription Price on the basis of one Rights Share for every two existing Shares held on the Record Date payable in full on acceptance under the terms and conditions as set out in the Prospectus
“Rights Issue Documents”	:	the Prospectus, the Provisional Allotment Letter and the Excess Application Form to be issued by the Company
“Rights Share(s)”	:	new Share(s) to be allotted and issued by the Company under the Rights Issue
“SFC”	:	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Registrar”	:	Computershare Hong Kong Investor Services Limited
“Share(s)”	:	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	:	holder(s) of Share(s)
“Somerley” or “Manager”	:	Somerley Limited, a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being a joint underwriter to the Rights Issue
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Subscription Price”	:	the issue price of HK\$0.55 per Rights Share at which the Rights Shares are proposed to be offered for subscription
“Takeovers Code”	:	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	:	YCSEL, Somerley and China Everbright
“Underwriting Agreement”	:	the underwriting agreement entered into, inter alia, between the Company and the Underwriters dated 22 April 2013 (as amended on 25 April 2013) in relation to the Rights Issue
“Underwritten Shares”	:	the Rights Shares, other than those undertaken to be subscribed by YCSEL, underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement (being 115,363,298 Rights Shares)
“Untaken Shares”	:	any of the Underwritten Shares not taken up by the Qualifying Shareholders under the Rights Issue
“Whitewash Waiver”	:	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of YCSEL to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by YCSEL pursuant to the Underwriting Agreement and/or pursuant to the Concert Group’s application for any excess Rights Shares which is accepted by the Company
“YCSEL”	:	Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder and a joint underwriter to the Rights Issue
“%”	:	per cent

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Latest date for return of proxy form of the EGM	:	4:00 p.m. on Monday, 27 May 2013
Expected time of the EGM	:	4:00 p.m. on Wednesday, 29 May 2013
Announcement of poll results of the EGM	:	Wednesday, 29 May 2013
Last day of dealing in Shares on a cum-rights basis	:	Thursday, 30 May 2013
First day of dealing in Shares on an ex-rights basis	:	Friday, 31 May 2013
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	:	4:30 p.m. on Monday, 3 June 2013
Register of members of the Company closes	:	Tuesday, 4 June 2013
Record Date	:	Tuesday, 4 June 2013
Register of members of the Company re-opens	:	Wednesday, 5 June 2013
Despatch of the Rights Issue Documents	:	Thursday, 6 June 2013
First day of dealings in nil-paid Rights Shares	:	Monday, 10 June 2013
Latest time for splitting of nil-paid Rights Shares	:	4:30 p.m. on Thursday, 13 June 2013
Last day of dealings in nil-paid Rights Shares	:	Tuesday, 18 June 2013
Latest time for acceptance of, and payment for the Rights Shares and for application and payment for excess Rights Shares	:	4:30 p.m. on Friday, 21 June 2013
Rights Issue expected to become unconditional	:	4:00 p.m. on Thursday, 27 June 2013
Announcement of results of acceptance of and excess applications for the Rights Issue	:	Friday, 28 June 2013
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	:	Tuesday, 2 July 2013
Despatch of certificates for fully-paid Rights Shares on or before	:	Tuesday, 2 July 2013
Commencement of dealings in fully-paid Rights Shares	:	Wednesday, 3 July 2013

Notes:

1. All times in this circular refer to Hong Kong times.

EXPECTED TIMETABLE

2. The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place at the time stated above if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. In such event, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. In such event, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Final Acceptance Date, the dates mentioned in the expected timetable above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



king fook holdings limited
景福集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 280)

Executive Directors

Mr. Yeung Ping Leung, Howard
Mr. Tang Yat Sun, Richard
Mr. Cheng Ka On, Dominic
Mr. Yeung Bing Kwong, Kenneth
Ms. Fung Chung Yee, Caroline

Registered office

9th Floor
King Fook Building
30–32 Des Voeux Road Central
Hong Kong

Non-executive Director

Mr. Wong Wei Ping, Martin

Independent non-executive Directors

Mr. Lau To Yee
Mr. Cheng Kar Shing, Peter
Mr. Chan Chak Cheung, William
Mr. Ho Hau Hay, Hamilton
Mr. Sin Nga Yan, Benedict
Mr. Cheng Kwok Shing, Anthony

13 May 2013

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE OF 217,535,825 RIGHTS SHARES
IN THE PROPORTION OF ONE RIGHTS SHARE FOR
EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT
HK\$0.55 PER RIGHTS SHARE
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

As mentioned in the Announcement, subject to the satisfaction of certain conditions, the Company proposed to raise about HK\$119.6 million before expenses by way of a rights issue of 217,535,825 Shares, on the basis of one Rights Share for every two Shares held on the Record Date at the Subscription Price of HK\$0.55 per Rights Share. It is also proposed to increase the authorised share capital of the Company

LETTER FROM THE BOARD

to HK\$300,000,000 by the creation of an additional 580,000,000 Shares in order to allow issue of Shares under the Rights Issue and further issue of Shares. The Rights Issue will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

Pursuant to the Underwriting Agreement, YCSEL has conditionally agreed to underwrite up to 57,681,650 Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL) under the Rights Issue, YCSEL will be required to take up 57,681,650 Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 56.32% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive. YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Independent Board Committee has been established to consider the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Beijing Securities has been appointed as the independent financial adviser to the Independent Board Committee in this regard.

The purpose of this circular is to give you further details of (i) the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice of the EGM.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every two existing Shares held on the Record Date
Subscription Price	:	HK\$0.55 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	435,071,650 Shares
Number of Rights Shares	:	217,535,825 Rights Shares
Enlarged issued share capital upon completion of the Rights Issue	:	652,607,475 Shares

As at the Latest Practicable Date, the Company had no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

The 217,535,825 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 50.0% of the existing issued share capital of the Company and approximately 33.3% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

LETTER FROM THE BOARD

Subscription Price

The subscription price of HK\$0.55 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 38.89% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 22 April 2013, being the last trading day prior to the publication of the Announcement;
- (ii) a discount of approximately 39.56% to the average closing price of approximately HK\$0.91 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 22 April 2013;
- (iii) a discount of approximately 40.22% to the average closing price of approximately HK\$0.92 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 22 April 2013;
- (iv) a discount of approximately 29.49% to the theoretical ex-rights price of approximately HK\$0.78 per Share based on the closing price as quoted on the Stock Exchange on 22 April 2013;
- (v) a discount of approximately 71.20% to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.91 (based on the latest published unaudited consolidated net tangible asset value of the Group of approximately HK\$829.40 million as at 30 September 2012 and 435,071,650 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of approximately 34.52% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the recent market prices of Shares and market conditions. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider the Subscription Price, which has been set as a discount as described above with an objective to encourage the existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with the then existing Shares in issue on the date of allotment and issue of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Share Registrar

LETTER FROM THE BOARD

at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Monday, 3 June 2013. It is expected that the last day of dealings in Shares on a cum-rights basis is Thursday, 30 May 2013 and Shares will be dealt with on an ex-rights basis from Friday, 31 May 2013.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Allotment Posting Date. The Company will send the Prospectus only to the Excluded Shareholders (if any) for information purposes on the same date.

Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. There were 10 Overseas Shareholders in Canada, United Kingdom, Macau, Malaysia and the United States of America as at the Latest Practicable Date. The Company has made enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchange of extending the Rights Issue to such Overseas Shareholders. The Directors, based on results of such enquiries made, consider that it is expedient to exclude such Overseas Shareholders from the Rights Issue.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and equitable basis to Qualifying Shareholders who have applied for excess Rights Shares on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings (in particular those already existed on the date of the Announcement or created as a result of the Rights Issue) to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, any remaining excess Rights Shares will be allocated to applicants in proportion to the respective shareholdings of the applicants in the Company as at the Record Date; and

LETTER FROM THE BOARD

- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above (which may arise if applicants with relatively high shareholdings in the Company as at the Record Date apply for small number of excess Rights Shares), any further remaining excess Rights Shares will be allocated to applicants in proportion to the number of excess Rights Shares being applied for under each application.

Before the release of the announcement relating to the suspension of trading in Shares on 23 April 2013 disclosing the Rights Issue, there were about 23 holders of odd-lots of about 15,500 Shares in total. As at the Latest Practicable Date, there were about 217 holders of odd-lots of about 180,600 Shares in total. In view of such significant increase, the Directors consider that there have been abuses of the mechanism set out in principle (1) above. The Directors will take necessary steps to screen out applications made with the intention to abuse such mechanism.

Shareholders with their Shares held by a nominee company (or which are deposited into CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the above arrangement in relation to allocation of excess Rights Shares will not be extended to the beneficial owners individually. The Shareholders with their Shares held by a nominee company (or which are deposited into CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

Shareholders whose Shares are held by their nominee(s) (or which are deposited into CCASS) and who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on Monday, 3 June 2013 (the register of members of the Company will be closed on Tuesday, 4 June 2013).

Application for listings

The Company will apply to the Listing Committee for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

It is expected that the Rights Shares will be dealt with in their nil-paid form from Monday, 10 June 2013 to Tuesday, 18 June 2013. Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the condition of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by Tuesday, 2 July 2013 by ordinary post

LETTER FROM THE BOARD

at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by Tuesday, 2 July 2013 by ordinary post to the applicants at their own risk.

Condition of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms or otherwise. The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” below.

If the conditions of the Underwriting Agreement which include but not limited to, the granting of the Whitewash Waiver to YCSEL by the Executive, are not fulfilled, the Rights Issue will not proceed.

Irrevocable undertaking from YCSEL

YCSEL, which was interested in 204,345,055 Shares as at the Latest Practicable Date representing approximately 46.97% of the existing issued Shares, has irrevocably undertaken to the Company and (as separate undertakings) with Somerley and China Everbright that:

- (a) it and its associates are and up to and inclusive of the Final Acceptance Date will remain the beneficial owners of at least the number of Principal Shares; and
- (b) it and its associates will take up and accept (or procure that the registered holders thereof shall take up and accept) and lodge the Provisional Allotment Letters (accompanied by appropriate remittances) in respect of the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:30 p.m. on the Final Acceptance Date.

Underwriting Agreement

Date: 22 April 2013 (as amended on 25 April 2013)

Parties:

- (i) the Company (as issuer);
- (ii) the executive Directors (as warrantors); and
- (iii) YCSEL, Somerley and China Everbright (collectively, as the Underwriters).

The Company appointed YCSEL as one of the Underwriters to allow YCSEL to demonstrate its commitment to the Company.

Number of the Underwritten Rights Shares:

The Underwriters have conditionally and severally agreed pursuant to the Underwriting Agreement to underwrite the Underwritten Shares, being 115,363,298 Rights Shares, at the Subscription Price, being the total number of Rights Shares under the Rights Issue excluding 102,172,527 Rights Shares undertaken to be subscribed by YCSEL pursuant to the irrevocable undertaking mentioned above.

LETTER FROM THE BOARD

The Underwriters will subscribe or procure subscribers for the Untaken Shares on the following basis:

- (i) firstly, out of all the Untaken Shares YCSEL shall take up to 57,681,650 Untaken Shares (being about 50% of all Underwritten Shares) (the “YCSEL Portion”); and
- (ii) if there is any balance of the Untaken Shares after deducting the YCSEL Portion (the “Balance Shares”), the other Underwriters shall take up the same in the following proportions:
 - (a) Somerley — 50% of the Balance Shares; and
 - (b) China Everbright — 50% of the Balance Shares.

Fee and commission:

In consideration of the services of the Underwriters thereunder, the Company will pay to the Underwriters an underwriting commission of 3.0% of the Subscription Price on all of the Underwritten Shares. In consideration of the services of the Manager as a coordinator between the Company and the Underwriters, the Company will pay to the Manager a management fee of 0.5% of the Subscription Price on the maximum underwriting commitment of the Manager and China Everbright, being 57,681,648 Rights Shares.

The commission rate and the rate of management fee were determined after arm’s length negotiation between the Company and the Underwriters by reference to, among other things, the size of the Rights Issue and the current and expected market condition. In view of these factors and the arrangement and the terms of the Underwriting Agreement are on normal commercial terms, the Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider the terms of the Underwriting Agreement including the commission rate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional on:

- (a) the passing at an extraordinary general meeting of the Company of necessary resolution(s) by Independent Shareholders to approve the Rights Issue and the Whitewash Waiver, and the incidental increase in the authorised share capital of the Company at which the voting shall be taken in accordance with the Listing Rules and the Takeovers Code;
- (b) the granting of the Whitewash Waiver to YCSEL by the Executive;
- (c) the signing by or on behalf of all Directors of two copies each of the Rights Issue Documents;

LETTER FROM THE BOARD

- (d) the registration of one such copy signed by or on behalf of all Directors of the Rights Issue Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong;
- (e) the posting of the Prospectus to the Excluded Shareholders and the posting of the Rights Issue Documents to the Qualifying Shareholders;
- (f) the performance in full by YCSEL of its undertakings to take up the rights entitlements in respect of the Principal Shares in full; and
- (g) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment) listings of and permission to deal in the Rights Shares, in nil-paid and fully paid forms.

None of the conditions above is waivable. In the event of the conditions (a) to (e) above not being fulfilled on or before the Allotment Posting date or condition (f) not being fulfilled on or before the Final Acceptance Date or condition (g) not being fulfilled on or before 5:00 p.m. on the third Business Day immediately before the Despatch Date (or such later date or dates as the Manager and China Everbright (for themselves and on behalf of the Underwriters) may agree) all liabilities of the parties thereunder will cease and determine and no party will have any claim against the others save that the Company will pay to the Underwriters the fees and expenses according to the terms of the Underwriting Agreement. The Company and YCSEL agree to use their best endeavours to procure fulfillment of all the said conditions on or before each of the said respective dates.

Termination of the Underwriting Agreement

The Manager and China Everbright (for themselves and on behalf of the Underwriters) may terminate the Underwriting Agreement (without consent from the Company but after such consultation with the Company as far as the circumstances shall admit) in their absolute discretion by notice in writing given to the Company on or before 5:00 p.m. on the third Business Day immediately prior to the Despatch Date if:

- (a) there develops, occurs or comes into force:**
 - (1) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of the Manager and China Everbright (for themselves and on behalf of the Underwriters) adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or**
 - (2) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of the Manager and China Everbright (for themselves and on behalf of the Underwriters) is materially adverse in the context of the Rights Issue; or**
 - (3) any adverse change in market conditions (including without limitation, any change in any stock market, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) which in the absolute opinion of the Manager and China Everbright (for themselves and on behalf of the Underwriters) materially prejudicially affects the Rights Issue and make it inadvisable or inexpedient to proceed therewith,**

or

LETTER FROM THE BOARD

- (b) there comes to the notice of any of the Underwriters any matter or event showing any of the representations and warranties given by the Company in the Underwriting Agreement to be untrue or inaccurate in any respect which the Manager and China Everbright (for themselves and on behalf of the Underwriters) consider to be material.

If the Manager and China Everbright (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreement, then the Rights Issue will not proceed.

Changes in the shareholding structure of the Company

Set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue under various scenarios:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue			
	No. of Shares	%	(a) assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(b) assuming full acceptance by YCSEL but nil acceptance by other Qualifying Shareholders under the Rights Issue	
			No. of Shares	%	No. of Shares	%
Concert Group (Note 1)	207,719,055	47.74	311,578,582	47.74	367,573,232	56.32
Tang Yat Sun, Richard (Note 2)	18,619,000	4.28	27,928,500	4.28	18,619,000	2.85
Cheng Ka On, Dominic (Note 2)	1,748,000	0.40	2,622,000	0.40	1,748,000	0.27
Ho Hau Hay, Hamilton (Note 2)	3,170,000	0.73	4,755,000	0.73	3,170,000	0.49
Somerley	—	—	—	—	28,840,824	4.42
China Everbright	—	—	—	—	28,840,824	4.42
Public Shareholders	<u>203,815,595</u>	<u>46.85</u>	<u>305,723,393</u>	<u>46.85</u>	<u>203,815,595</u>	<u>31.23</u>
Total	<u>435,071,650</u>	<u>100.00</u>	<u>652,607,475</u>	<u>100.00</u>	<u>652,607,475</u>	<u>100.00</u>

Note:

- These comprise 198,185,035 Shares beneficially owned by YCSEL, 6,160,020 Shares owned by its wholly owned subsidiary, Hilmanway Enterprises Limited, and 3,374,000 Shares in which Madam Kwok Yan Chee, a director of YCSEL, has interest. Please refer to the sub-section headed "Information on YCSEL and the Concert Group" below.
- Messrs. Tang Yat Sun, Richard, Cheng Ka On, Dominic and Ho Hau Hay, Hamilton are Directors.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, diamond wholesaling, securities broking and provision of construction services.

LETTER FROM THE BOARD

The gross proceeds from the Rights Issue are expected to be approximately HK\$119.6 million before expenses. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$115 million. The net Subscription Price per Rights Share is expected to be approximately HK\$0.53.

The Company intends to apply the net proceeds from the Rights Issue (i) as to about 30% thereof for optimising its capital structure, including but not limited to, repayment of existing indebtedness of the Group; and (ii) as to about 70% thereof as expected additional working capital requirements resulting from, including but not limited to, the increased rental expenses following the lease renewals of the Group's certain retail stores and business expansion into the wholesale of exclusive premium watches in the PRC.

As at the close of business on 31 March 2013, the Group had total outstanding borrowings of approximately HK\$313,033,000. In light of the substantial annual interest expenses of HK\$9,337,000 with respect to the existing loans of the Group, the Directors consider that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity which will not increase the Group's future finance costs.

Four leases of the Group's retail stores located at Central, Causeway Bay and Tsimshatsui in Hong Kong and Shanghai in the PRC are going to expire and are subject to renewal on or before July 2013. During the course of negotiation on lease renewals between the Group and the relevant landlords, the proposed increases of rentals are substantial. The Company intends to use part of the proceeds of the Rights Issue for payment of the increased rental expenses immediately due on renewal of these leases on or before July 2013, while any further increase in rental expenses in the future is expected to be financed by internal resources generated from the Group's ordinary course of business.

The Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms and conditions of the Rights Issue to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In the event that the resolution approving the Whitewash Waiver is not approved at the EGM and/or the Whitewash Waiver is not granted by the Executive and therefore the Rights Issue cannot proceed, the Company intends to consider other equity financing alternatives, including but not limited to, an issue of convertible securities for raising necessary fund to fulfill its expected capital needs.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$155,000,000 comprising 620,000,000 ordinary shares of HK\$0.25 each and there were in issue an aggregate of 435,071,650 Shares. It is proposed to increase the authorised share capital of the Company to HK\$300,000,000 by the creation of an additional 580,000,000 Shares in order to allow issue of Shares under the Rights Issue and further issue of Shares.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not having been terminated (see the sub-section headed “Termination of the Underwriting Agreement” above). The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” above. In particular, it is subject to the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and the Whitewash Waiver having been granted by the Executive. It is expected that Shares will be dealt with on an ex-rights basis from Friday, 31 May 2013 and Rights Shares will be dealt with in their nil-paid form from Monday, 10 June 2013 to Tuesday, 18 June 2013. If the Manager and China Everbright (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreement, the Rights Issue will not proceed.

Any buying or selling of Shares or Rights Shares between the Latest Practicable Date and the date the Rights Issue becomes unconditional is at an investor’s own risk.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in Shares and nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Group was interested in an aggregate of 207,719,055 Shares, representing approximately 47.74% of the total issued share capital of the Company.

Pursuant to the Underwriting Agreement, YCSEL has conditionally agreed to underwrite up to 57,681,650 Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL) under the Rights Issue, YCSEL will be required to take up 57,681,650 Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 56.32% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders by way of poll at the EGM in which the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting. It is a condition precedent of the Underwriting Agreement and completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

LETTER FROM THE BOARD

Upon completion of the Rights Issue, the Concert Group may collectively hold more than 50% of the then issued share capital of the Company, in which case YCSEL may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

INFORMATION ON YCSEL AND THE CONCERT GROUP

YCSEL is an investment holding company. It is not engaged in the business of underwriting. All of the beneficial owners of YCSEL are close family members and foundations of the late Mr. Young Chi Wan, including Mr. Yeung Ping Leung, Howard (the Chairman of the Company and an executive Director) and family members of Mr. Yeung Bing Kwong, Kenneth (an executive Director), none of whom has control of YCSEL (within the meaning of the Takeovers Code). Such Directors and other members of their family control the management of YCSEL.

It is the intention of YCSEL to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. YCSEL has no intention to introduce any changes to the businesses of the Group including redeployment of the fixed assets of the Group.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, YCSEL was interested in an aggregate of 204,345,055 Shares, representing approximately 46.97% of the total issued share capital of the Company. Accordingly, YCSEL is a connected person of the Company and the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.31(3)(c) of the Listing Rules, as the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(2) of the Listing Rules, the Underwriting Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue would increase neither the issued share capital nor the market capitalisation of the Company by more than 50%, the Rights Issue is not conditional on approval by the Shareholders. However, the Rights Issue is required to be approved by Shareholders under the Companies Ordinance and the Whitewash Waiver is subject to approval by the Independent Shareholders under the Takeovers Code.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 4 June 2013. To qualify for the Rights Issue, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 3 June 2013.

LETTER FROM THE BOARD

EGM

The Rights Issue, the Underwriting Agreement and the Whitewash Waiver will be subject to the approval by the Independent Shareholders at the EGM by way of poll.

A notice of the EGM to be held at 4:00 p.m. on Wednesday, 29 May 2013 at Tsui Hang Village, 2nd Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong is set out on pages N – 1 and N – 2 of this circular at which an ordinary resolution will be proposed for considering, and, if thought fit, approving the Rights Issue, the Underwriting Agreement, the Increase in Authorised Share Capital and the Whitewash Waiver.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company, 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong, as soon as possible and in any event not later than 4:00 p.m. on Monday, 27 May 2013. The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

Pursuant to the Note 1 on dispensations from Rule 26 of the Takeovers Code, as YCSEL is interested in the Whitewash Waiver, the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting on the resolution to be proposed at the EGM in relation to the Whitewash Waiver. YCSEL and Madam Kwok Yan Chee, a director of YCSEL, controlled the voting rights in respect of 204,345,055 Shares and 3,374,000 Shares respectively as at the Latest Practicable Date. Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

Voting at the EGM will be taken by poll, the results of which will be announced after the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Your attention is also drawn to the letter from Beijing Securities which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and the principal factors and reasons considered by it in arriving thereat. The text of the letter from Beijing Securities is set out on pages 22 to 38 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
King Fook Holdings Limited
Yeung Ping Leung, Howard
Chairman



king fook holdings limited
景福集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 280)

13 May 2013

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF 217,535,825 RIGHTS SHARES
IN THE PROPORTION OF ONE RIGHTS SHARE FOR
EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT
HK\$0.55 PER RIGHTS SHARE
AND
APPLICATION FOR WHITEWASH WAIVER**

We refer to the letter from the Board set out in the circular dated 13 May 2013 of the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Whitewash Waiver. Beijing Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

We wish to draw your attention to the letter from Beijing Securities to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver as set out in the Circular. We also draw your attention to the letter from the Board set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of Beijing Securities as stated in its letter of advice, we are of the view that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable, and are of the view that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee

Lau To Yee

Cheng Kar Shing, Peter

Chan Chak Cheung, William

Ho Hau Hay, Hamilton

Sin Nga Yan, Benedict

Cheng Kwok Shing, Anthony

LETTER FROM BEIJING SECURITIES

Set out below is the text of the letter of advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.

Beijing Securities
Beijing Securities Limited
北京證券有限公司

BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

13 May 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**PROPOSED RIGHTS ISSUE OF 217,535,825 RIGHTS SHARES
IN THE PROPORTION OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
AT HK\$0.55 PER RIGHTS SHARE AND APPLICATION
FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular of the Company dated 13 May 2013 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 25 April 2013, the Company announced, amongst others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. The Company proposed to raise about HK\$119.6 million before expenses by way of a rights issue of 217,535,825 Shares, in the proportion of 1 Rights Share for every 2 Shares held on the Record Date at the Subscription Price of HK\$0.55 per Rights Share. It is also proposed to increase the authorised share capital of the Company to HK\$300,000,000 by the creation of an additional 580,000,000 Shares in order to allow issue of Shares under the Rights Issue and further issue of Shares. The Rights Issue will be fully underwritten by the Underwriters, namely YCSEL, Somerley and China Everbright, on the terms and subject to the conditions set out in the Underwriting Agreement.

As at the Latest Practicable Date, YCSEL, which was interested in 204,345,055 Shares representing approximately 46.97% of the existing issued Shares, has irrevocably undertaken to the Company to accept provisional allotments for 102,172,527 Rights Shares under the Rights Issue, to which it and its associates will be entitled pursuant to the terms of the Rights Issue.

Pursuant to the Underwriting Agreement, YCSEL has conditionally agreed to underwrite up to 57,681,650 Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL) under the Rights Issue, YCSEL will be required to take up 57,681,650 Underwritten Shares and the total shareholding of the Concert Group (i.e. YCSEL and parties acting in concert with it) upon completion of

LETTER FROM BEIJING SECURITIES

the Rights Issue would amount to approximately 56.32% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive. YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Board currently comprises five executive Directors, one non-executive Director, and six independent non-executive Directors. The Independent Board Committee is currently comprising of all the independent non-executive Directors, namely Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Chan Chak Cheung, William, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony, has been established to advise the Independent Shareholders regarding the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Mr. Wong Wei Ping, Martin, a non-executive Director, is a brother-in-law of Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, who control the management of YCSEL with other members of their family. Accordingly, Mr. Wong Wei Ping, Martin would not form part of the Independent Board Committee. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

Beijing Securities is not connected with the directors, chief executive or substantial shareholders of the Company or the Underwriters or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or the Underwriters or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness

LETTER FROM BEIJING SECURITIES

of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group and the associated company of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

I. THE RIGHTS ISSUE AND THE UNDERWRITING AGREEMENT

1. Operating performance of the Group

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, diamond wholesaling, securities broking and provision of construction services.

Set out below is a summary of the financial information of the Group for the two years ended 31 March 2011 and 2012 and the six months ended 30 September 2012 based on the previous annual reports and interim report of the Company:

LETTER FROM BEIJING SECURITIES

	Six months ended	Year ended 31 March	
	30 September	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue			
— Gold ornament, jewellery, watch, fashion and gift retailing	528,535	1,250,405	1,196,948
— Bullion trading	8,127	25,801	25,934
— Commission from securities broking	1,048	3,937	6,108
— Diamond wholesaling	2,796	8,618	7,026
— Revenue on construction contracts	8,746	54,922	19,847
— Income from provision of travel related products and services	4,957	9,672	7,989
	<hr/>	<hr/>	<hr/>
Total revenue	554,209	1,353,355	1,263,852
Gross profit	152,740	373,270	353,678
Profit before taxation	3,306	36,424	43,561
Profit attributable to the Shareholders	4,324	36,254	34,605
Earnings per Share (HK cents)	1.0	8.3	8.0
	As at	As at 31 March	
	30 September	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Current assets	1,263,743	1,179,882	1,034,781
Current liabilities	384,074	340,901	228,924
Non-current assets	49,824	140,395	281,230
Non-current liabilities	102,555	65,570	66,431
Net assets	826,938	913,806	1,020,656
Bank loans	340,500	280,666	146,166

Source: Annual reports of the Company for the two years ended 31 March 2011 and 2012 and interim report of the Company for the six months ended 30 September 2012.

LETTER FROM BEIJING SECURITIES

(a) For the year ended 31 March 2012

We note for the year ended 31 March 2012, the total revenue increased by approximately 7.08% to HK\$1,353.36 million from the previous year. The increase was mainly attributable to a 4.47%, 22.66%, 176.73% and 21.07% increase from the gold ornament, jewellery, watch, fashion and gift retailing business, diamond wholesaling, revenue on construction contracts and income from provision of travel related products and services respectively. Revenue of bullion trading was stable at approximately HK\$25.80 million as compared with the previous year. However commission income from securities broking decreased by approximately 35.54% to HK\$3.94 million from previous year due to downturn in the equity market and consolidation of various branches of the Group.

It was mentioned in the 2012 annual report of the Company that during the year ended 31 March 2012, the Group disposed of part of its shareholding in Hong Kong Exchange and Clearing Limited. However, the Group's profit attributable to the Shareholders for the year only increased slightly by approximately 4.77% to HK\$36.25 million as compared to the previous year mainly due to the soaring rentals of the Group's retail shops, the substantial loss arising from completion of projects in construction services operation of HK\$30.45 million and the impairment loss arising on settlement of an insurance claim of HK\$6 million.

As at 31 March 2012, the Company had net assets of approximately HK\$913.81 million, representing a decrease of approximately 10.47% as compared to that as at 31 March 2011. Such decrease in the net assets was mainly attributed by the change in fair value of available-for-sale investments held by the Group of HK\$54.70 million and the operating loss of HK\$47.63 million if the gain on disposal of available-for-sale investments of HK\$84.05 million was being excluded.

(b) For the six months ended 30 September 2012

For the six months ended 30 September 2012, the total revenue of approximately HK\$554.21 million represented a decrease of 20.46% for the same period in the previous year as consumer sentiment and spending, especially for luxury items, were adversely affected by the slowdown of the PRC's economic growth in the first half of 2012 as its export sector was hit by the global slowdown and the credit tightening policies of the Chinese Government despite the Group expanded its king fook shop at Park Lane Hotel, Causeway Bay and re-opened its prime shop at the Miramar Shopping Centre, Tsim Sha Tsui.

For the six months ended 30 September 2012, the Group's profit attributable to the Shareholders decreased by approximately 61.78% to HK\$4.32 million as compared to the same period in the previous year. The decrease was mainly due to the drop in sales and higher operating expenses mainly resulting from shop expansion, opening of new shops and more marketing campaigns and promotions.

As at 30 September 2012, the Company had net assets of approximately HK\$826.94 million, representing a decrease of approximately 9.51% as compared to that as at 31 March 2012. Such decrease in the net assets was mainly attributed by the change in fair value of available-for-sale investments held by the Group of HK\$17.34 million and the operating loss of HK\$69.40 million if the gain on disposal of available-for-sale investments of HK\$72.70 million was being excluded.

(c) Outlook

As discussed with the management of the Company, the Group will expand its exposure in China by introducing e-Commerce, the wholesale business of exclusive premium watches and a one-of-a-kind diamond. Four leases of the Group's retail stores located at Central, Causeway Bay and Tsimshatsui in Hong Kong and Shanghai in the PRC are going to expire and are subject to renewal on or before July 2013. During the course of negotiation on lease renewals between the Group and the relevant landlords, the proposed increases of rentals are substantial. The Company will monitor the market conditions in deciding on the structure and size of its retail network. The management of the Company will continue to take stringent cost control measures and maintain the policy to streamline operations and optimise internal resources in order to achieve a higher degree of cost-efficiency for better results.

2. Reasons for the Rights Issue and use of proceeds

As discussed with the management of the Company, having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Board considers the Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board also considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so.

The gross proceeds from the Rights Issue are expected to be approximately HK\$119.6 million before expenses. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$115.0 million. The net Subscription Price per Rights Share is expected to be approximately HK\$0.53.

The Company intends to apply the net proceeds from the Rights Issue (i) as to about 30% of the net proceeds for optimising capital structure, including but not limited to, repayment of existing indebtedness of the Group; and (ii) as to about 70% of the net proceeds for expected additional working capital requirements resulting from, including but not limited to, the increased rental expenses following the lease renewals of the Group's certain retail stores and business expansion into the wholesale of exclusive premium watches in China.

According to the Letter from the Board set out in the Circular, except for the Rights Issue, the Group had not carried out other equity fund raising activity during the past 12 months immediately preceding the Latest Practicable Date.

As further discussed with the management of the Company, we have been advised that given (i) debt financing and borrowing will increase its interest expenses and that the Group plans to optimise its capital structure by reducing its indebtedness; (ii) placing of new Shares would not offer the existing Shareholders the opportunity to participate in the Company's equity raising exercise and would result in dilution of shareholding of the existing Shareholders; and (iii) the Rights Issue will enable the Qualifying Shareholders to maintain their proportionate interests in the Company, the management of the Company considers the Rights Issue is an appropriate financing means for the Company. Having considered the factors set out above, we concur with the view of management of the Company.

LETTER FROM BEIJING SECURITIES

3. Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Circular. Further details of the terms of the Rights Issue are set out in the Letter from the Board.

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every two existing Shares held on the Record Date
Subscription Price	:	HK\$0.55 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	435,071,650 Shares
Number of Rights Shares	:	217,535,825 Rights Shares
Enlarged issued share capital upon completion of the Rights Issue	:	652,607,475 Shares

As at the Latest Practicable Date, the Company had no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

The 217,535,825 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 50.0% of the existing issued share capital of the Company and approximately 33.3% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

4. The Subscription Price

The Subscription Price of HK\$0.55 per Rights Share represents:

- (i) a discount of approximately 38.89% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 22 April 2013, being the last trading day prior to the publication of the Announcement;
- (ii) a discount of approximately 39.56% to the average closing price of approximately HK\$0.91 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 22 April 2013;
- (iii) a discount of approximately 40.22% to the average closing price of approximately HK\$0.92 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 22 April 2013;
- (iv) a discount of approximately 29.49% to the theoretical ex-rights price of approximately HK\$0.78 per Share based on the closing price as quoted on the Stock Exchange on 22 April 2013;
- (v) a discount of approximately 71.20% to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.91 (based on the latest published unaudited consolidated net tangible asset value of the Group of approximately HK\$829.40 million as at 30 September 2012 and 435,071,650 Shares in issue as at the Latest Practicable Date); and

LETTER FROM BEIJING SECURITIES

- (vi) a discount of approximately 34.52% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

As set out in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market prices of Shares and the prevailing market conditions. The Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider the Subscription Price, which has been set at a discount as described above with an objective to encourage the existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In analysing the fairness and reasonableness of the Subscription Price, we have undertaken the following analysis:

(a) Share price performance and liquidity of the Share

We have reviewed the highest, lowest and the average daily closing prices of the Shares over an approximately 12 month period prior to the date of the Underwriting Agreement and up to the Latest Practicable Date (the "Review Period").

Month	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$
2012			
April	1.03	0.98	1.00
May	1.00	0.82	0.90
June	0.88	0.79	0.81
July	0.85	0.76	0.79
August	0.88	0.76	0.79
September	1.43	0.80	1.08
October	1.25	1.07	1.16
November	1.23	1.06	1.13
December	1.13	1.07	1.10
2013			
January	1.23	1.09	1.16
February	1.13	1.02	1.07
March	1.03	0.97	1.00
April (<i>Note</i>)	0.97	0.84	0.91
May (up to and including the Latest Practicable Date)	0.85	0.82	0.84

Source: website of Stock Exchange

Note: Trading in the Shares was suspended from 23 April 2013 to 25 April 2013.

LETTER FROM BEIJING SECURITIES

The Subscription Price is lower than the high and low range of the average daily closing prices of the Shares during the Review Period. The average daily closing price of Shares ranged from HK\$0.79 to HK\$1.16 per Share in each month with the highest closing price of HK\$1.43 per Share in September 2012 to the lowest closing price of HK\$0.76 in July and August 2012. We note that the highest closing price per Share has a premium of approximately 88.16% over the lowest closing price. Such difference indicates that the market prices of Share were rather volatile during the Review Period.

Furthermore, we note that the trading price of Shares was in a downward trend in the year 2013 since reaching the highest closing price of HK\$1.23 per Share in 9 January 2013. The downward trend began on 10 January 2013 to the Latest Practicable Date. The trading price of Share has dropped after the Company published the Announcement. The average daily closing price per Share from 10 January 2013 up to the last trading date before suspension of trading on 23 April 2013 and from the date of the Announcement up to the Latest Practicable Date were HK\$1.04 and HK\$0.84 respectively, representing a decrease of approximately 15.45% and 31.71% since the highest closing price of HK\$1.23 per Share on 9 January 2013.

We note that it is a common market practice that, in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue, the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares. Having considered that the closing price of Shares was in general on a decreasing trend, we concur with the Directors that the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general practice and is acceptable.

LETTER FROM BEIJING SECURITIES

The following table sets out the trading volume of Shares during the Review Period:

Month	Total monthly trading volume (in number of shares)	Approximate average daily trading volume (the “Average Volume”) (in number of shares)	Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Approximate %) (Note 2)	Average Volume to total number of issued Shares as at the Latest Practicable Date (Approximate %) (Note 3)
2012				
April	3,332,000	185,111	0.09%	0.04%
May	5,712,000	259,636	0.13%	0.06%
June	3,724,000	177,333	0.09%	0.04%
July	3,081,131	146,721	0.07%	0.03%
August	8,538,000	371,217	0.18%	0.09%
September	148,889,900	7,444,495	3.65%	1.71%
October	37,167,000	1,858,350	0.91%	0.43%
November	35,385,000	1,608,409	0.79%	0.37%
December	14,084,000	741,263	0.36%	0.17%
2013				
January	46,015,524	2,091,615	1.03%	0.48%
February	6,132,000	360,706	0.18%	0.08%
March	4,282,000	214,100	0.11%	0.05%
April (Note 1)	6,694,809	393,812	0.19%	0.09%
May (up to and including the Latest Practicable Date)	3,272,712	467,530	0.23%	0.11%

Source: website of Stock Exchange

Notes:

1. Trading in the Shares was suspended from 23 April 2013 to 25 April 2013.
2. Based on 203,815,595 Shares held by the public Shareholders as at the Latest Practicable Date.
3. Based on 435,071,650 Shares in issue as at the Latest Practicable Date.

LETTER FROM BEIJING SECURITIES

During the Review Period, the Average Volume to total number of issued Shares as at the Latest Practicable Date was in the range of approximately 0.03% to 1.71% and the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date was in the range of approximately 0.07% to 3.65%. Save for September 2012 and January 2013, given that the Average Volume during the Review Period was below 1% of the public float as at the Latest Practicable Date, in our view, the liquidity of Shares during the Review Period was low.

Having considered (i) the volatility of the market prices of Share during the Review Period; (ii) the downward trend of the Share price during the Review Period; and (iii) the low liquidity of Share during the Review Period, it would be difficult to attract the Qualifying Shareholders to take up their respective allotments in the Rights Issue if the Subscription Price is not set at a good discount to the historical market prices of Shares. In addition, it is also a normal market practice that the subscription of a rights issue represents a discount to the prevailing market prices of the relevant shares. In light of the above, we are of the view that a discount to market price of Shares as represented by the Subscription Price is justifiable.

(b) Comparison with other rights issues

To further evaluate the fairness and reasonableness of the terms of the Rights Issue, we have reviewed all rights issue offers announced by companies listed on the Main Board of the Stock Exchange during the six months immediately before the publication of the Announcement and identified 22 rights issue transactions duly approved by their respective shareholders at the general meeting(s) (if required) (the “Comparables”). We are of the opinion that the Comparables are fair, sufficient and representative samples to illustrate the recent trend and terms of the rights issue transactions under common market practice, even though the Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into their businesses and operations. The Comparables are hence only used to provide a general reference for the common market practice in rights issue transactions of companies listed on the Main Board of the Stock Exchange.

Company (stock code)	Date of announcement	Basis of entitlement	Discount of effective subscription price to the closing price on the last trading date (%)	Discount of effective subscription price to the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission (%)	Underwritten by connected person
Celestial Asia Securities Holdings Limited (1049)	23 Apr 2013	1 for 2	50.82	40.79	33.33	2.50	Yes
CITIC Telecom International Holdings Limited (1883)	22 Apr 2013	3 for 8	26.81	21.04	27.27	2.00	No
Heritage International Holdings Limited (412)	11 Apr 2013	1 for 2	41.89	32.46	33.33	2.50	No
Tungtex (Holdings) Company Limited (518)	9 Apr 2013	1 for 5	3.61	3.03	16.67	2.50	No
Shui On Land Limited (272)	28 Mar 2013	1 for 3	44.91	37.94	25.00	2.75	No
Fufeng Group Limited (546)	26 Mar 2013	1 for 5	39.80	35.52	16.67	2.50	No
Haitong International Securities Group Limited (665)	6 Mar 2013	1 for 2	39.00	29.88	33.33	HK\$13.5 million (Note 1)	Yes
1010 Printing Group Limited (1127)	22 Feb 2013	2 for 5	36.71	29.29	28.57	0.00	Yes
Mascotte Holdings Limited (136)	4 Feb 2013	4 for 1	65.85	27.84	80.00	3.00	No
Simson International Corporation Limited (993)	29 Jan 2013	3 for 1	50.52	20.34	75.00	2.50	No
Forefront Group Limited (885)	28 Jan 2013	1 for 2	36.71	27.88	33.33	3.00	No
Up Energy Development Group Limited (307)	8 Jan 2013	1 for 2	54.55	44.44	33.33	2.00	Yes

LETTER FROM BEIJING SECURITIES

Company (stock code)	Date of announcement	Basis of entitlement	Discount of effective subscription price to the closing price on the last trading date (%)	Discount of effective subscription price to the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission (%)	Underwritten by connected person
A8 Digital Music Holdings Limited (800)	6 Jan 2013	2 for 1	52.00	26.53	66.67	2.00	Yes
Capital VC Limited (2324)	3 Jan 2013	1 for 2	25.29	18.41	33.33	3.00	No
Hong Kong Resources Holdings Company Limited (2882)	12 Dec 2012	2 for 5	50.00	41.63	28.57	1.70	No
Freeman Financial Corporation Limited (279)	4 Dec 2012	2 for 1	51.43	26.09	66.67	3.00	No
Asia Commercial Holdings Limited (104)	27 Nov 2012	3 for 1	87.50	63.60	75.00	2.00	Yes
Willie International Holdings Limited (273)	21 Nov 2012	1 for 2	41.34	31.97	33.33	2.50	No
Dragonite International Limited (329)	20 Nov 2012	1 for 1	48.98	32.43	50.00	2.50	No
China Agri-Industries Holdings Limited (606)	5 Nov 2012	3 for 10	31.38	25.98	23.08	0.00	Yes
Tack Fiori International Group Limited (928)	2 Nov 2012	1 for 2	40.48	31.13	33.33	2.50	No
Qin Jia Yuan Media Services Company Limited (2366)	2 Nov 2012	1 for 1	55.70	38.60	50.00	2.50	No
Average (Note 2)			44.33	31.22	40.72	2.47	
Maximum			87.50	63.60	80.00	3.00	
Minimum (Note 2)			3.61	3.03	16.67	1.70	
The Company	25 Apr 2013	1 for 2	38.89	29.49	33.33	3.00	

Source: website of the Stock Exchange

Notes:

- 1) A fixed underwriting commission of HK\$13.5 million and such amount is not used in the calculation of the average, maximum and minimum commission of the Comparables.
- 2) There were two cases with no underwriting commission and they were excluded in the calculation of the average and minimum commission of the Comparables due to fact that these rights issues were underwritten by the controlling shareholders.

As shown by the above table, the subscription prices of the Comparables ranged from discounts of approximately 3.61% to 87.50% to the respective closing prices of their shares on the last trading days prior to the release of the rights issue announcements (the “**LTD Market Range**”). The Subscription Price, which represents a discount of approximately 38.89% to the closing price of the Shares on the last trading day prior to the publication of the Announcement, falls within the LTD Market Range.

Moreover, the subscription prices of the Comparables ranged from discounts of approximately 3.03% to 63.60% to the respective theoretical ex-rights prices of their shares on their respective last trading days prior to the release of the rights issue announcements (the “**TERP Market Range**”). The Subscription Price, which represents a discount of approximately 29.49% to the theoretical ex-rights price of the Shares on the last trading day prior to the publication of the Announcement, falls within the TERP Market Range.

LETTER FROM BEIJING SECURITIES

Having considered (i) the factors discussed in the sub-section headed “Share price performance and liquidity of the Share” above; (ii) the discount would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group; and (iii) the Subscription Price was determined at after arm’s length negotiations between the Company and the Underwriters, we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we consider that the discount of the Subscription Price to the prevailing market Share price is acceptable.

5. The Underwriting Agreement

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters have conditionally and severally agreed pursuant to the Underwriting Agreement to underwrite at the Subscription Price in aggregate 115,363,298 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 102,172,527 Rights Shares undertaken to be subscribed by YCSEL pursuant to the irrevocable undertaking mentioned above. Moreover, pursuant to the Underwriting Agreement, YCSEL, as controlling shareholder of the Company within the meaning of the Takeovers Code, has conditionally agreed to underwrite up to 57,681,650 Underwritten Shares to demonstrate its commitment to the Company. This arrangement would also provide public Shareholders confidence in the future and growth prospects of the Company as set out under the section headed “Operating performance of the Group” above. Therefore, we are of the view that the underwriting arrangement with YCSEL is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will pay the Underwriters an underwriting commission of 3.00% of the aggregate Subscription Price on all of the Underwritten Shares and will pay the Manager a management fee of 0.5% of the Subscription Price on the maximum underwriting commitment of the Manager and China Everbright, being 57,681,648 Rights Shares. The management fee is paid to the Manager after arm’s length negotiation as consideration for its services as a coordinator between the Company and the Underwriters which is in line with market practice. In view that the Manager will perform additional work to ensure the success of the Rights Issue, the management fee to the Manager is justifiable. As illustrated in the table set out in the above section, the underwriting commissions of the Comparables ranged from 1.70% to 3.00%, whilst in two cases, there were no underwriting commission due to the rights issue being underwritten by the controlling shareholder and in another case, it has a fixed underwriting commission. Out of the 22 Comparables, six rights issue offers were underwritten by their controlling shareholders with underwriting commission ranging from zero to 2.50%. Whilst the underwriting commission of 3.00% is slightly above the higher end of the range of underwriting commissions of zero to 2.5% with regard to rights issue offers underwritten by controlling shareholders mentioned above, it is however still within the range of underwriting commissions of 1.70% to 3.00% of the entire population of the Comparables. In addition, the commission rate and the rate of management fee were determined after arm’s length negotiation between the Company and the Underwriters by reference to, among other things, the size of the Rights Issue and the current and expected market condition. Therefore, in the light of the above reasons, we are of the view that the underwriting commission and the management fee payable to the Underwriters and the Manager respectively are in line with the market practice and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM BEIJING SECURITIES

6. Application for excess Rights Issue

Pursuant to the terms of the Rights Issue, Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. For details of application, please refer to the Letter from the Board. We are of the view that the above excess application mechanism is fair and reasonable to the Independent Shareholders as Qualifying Shareholders are given the first right to subscribe for any Rights Shares not taken up before the Underwriters.

The Directors will allocate the excess Rights Shares at their discretion, but on a fair and equitable basis to Qualifying Shareholders who have applied for excess Rights Shares on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings (in particular those already existed on the date of the Announcement or created as a result of the Rights Issue) to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, any remaining excess Rights Shares will be allocated to applicants in proportion to the respective shareholdings of the applicants in the Company as at the Record Date; and
- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above (which may arise if applicants with relatively high shareholdings in the Company as at the Record Date apply for small number of excess Rights Shares), any further remaining excess Rights Shares will be allocated to applicants in proportion to the number of excess Rights Shares being applied for under each application.

After reviewing the circulars of the Comparables, save for the principle (2) above, the other two allocation principles are in line with common market practice and we are of the view that such arrangement is fair and reasonable to the Company and Shareholders as a whole.

As for the allocation principle (2) above, we also noted that there was similar precedent in the past (the rights issue offer of Champion Technology Holdings Limited (stock code: 92) announced on 1 December 2010). In this regard and since the allocation basis adopted by the Company allows the shareholding of each Qualifying Shareholder, except for those who do not take up their rights entitlements under the provisional allotment, be largely maintained after the completion of the Rights Issue and is in conformity with the principle that new shares shall be offered to shareholders pro-rated to their existing shareholdings under principle (2), we concur with the Directors that the basis of allocation of the excess Rights Shares is also fair and equitable so far as the Independent Shareholders are concerned.

7. Financial effects of the Rights Issue on the Group

(a) Working capital

Following completion of the Rights Issue, the net proceeds are estimated to be approximately HK\$115.0 million. As such, immediately upon completion of the Rights Issue, the cash level of the Group will be increased and hence it is expected to have a positive effect on the working capital of the Group.

(b) Net assets

According to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in Appendix II to the Circular, assuming completion of the Rights Issue had taken place on 30 September 2012, the Group's net tangible assets would have been increased by approximately 13.87% from approximately HK\$829.40 million to approximately HK\$944.44 million. Such increase is attributable to the effect of the net proceeds from the Rights Issue. This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

(c) Gearing and liquidity

As at 30 September 2012, the total borrowings of the Group was approximately HK\$374.32 million with an overall borrowings to equity ratio of approximately 45.13% and the cash and cash equivalents of Group was approximately HK\$47.53 million. Upon completion of the Rights Issue, there would be an increase in the cash level of the Group and the Company would apply approximately 30% of the net proceeds of the Rights Issue for optimising capital structure, including but not limited to, repayment of existing indebtedness of the Group. As such, the overall borrowings to equity ratio would be decreased and improved respectively.

8. Effect of the Rights Issue on the shareholding of the Company

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the completion of the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and thus the Underwriters are obligated to take up the unsubscribed Right Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be approximately 33.33%. Details of such dilution effect are presented in the Letter from the Board.

Meanwhile, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid Rights Shares in the market; and (ii) apply for excess Rights Shares.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

LETTER FROM BEIJING SECURITIES

- the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver through their votes at the EGM;
- the Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- the Qualifying Shareholders have the opportunity to realize their nil-paid Rights Shares to subscribe for the Rights Shares in the market (subject to availability); and
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of Shares.

In addition, we note from the Comparables as detailed in the table under the previous section of this letter that the maximum dilution to the existing Shareholders as a result of the rights issue transactions ranged from a minimum of 16.67% to a maximum of 80.00%. The maximum dilution of 33.33% to the existing Shareholders as a result of the Rights Issue falls within the said market range.

Having considered all the above, we consider the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

II. THE WHITEWASH WAIVER

As mentioned in the foregoing section of this letter, as at the Latest Practicable Date, YCSEL was interested in 204,345,055 Shares representing approximately 46.97% of the existing issued Shares. YCSEL has irrevocably undertaken to the Company to accept provisional allotments for 102,172,527 Rights Shares under the Rights Issue, to which it and its associates will be entitled to pursuant to the terms of the Rights Issue. Furthermore, pursuant to the Underwriting Agreement, YCSEL has conditionally agreed to underwrite up to 57,681,650 Underwritten Shares to demonstrate its commitment to the Company. Assuming no acceptance by the Qualifying Shareholders (except YCSEL) under the Rights Issue, YCSEL will be required to take up 57,681,650 Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 56.32% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive. YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders by way of poll at the EGM in which the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting. It is a condition precedent of the Underwriting Agreement and completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

LETTER FROM BEIJING SECURITIES

Moreover, Shareholders should note that based on the shareholding structure of the Company as at the Latest Practicable Date and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue save for the issue of the Rights Shares, upon completion of the Rights Issue, YCSEL may hold more than 50% of the total voting rights of the Company. In such circumstances, YCSEL may thereafter increase its holding of Shares without incurring any further obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

In the light of (i) the reasons for and the possible benefits of the Rights Issue to the Company as set forth in the section headed “Reasons for the Rights Issue and use of proceeds” of this letter; (ii) the terms of the Rights Issue and the Underwriting Agreement being fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the underwriting arrangement by YCSEL is a demonstration of its commitment to the Company and would provide public Shareholders confidence in the future and growth prospects of the Company, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for completion of the Rights Issue, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATIONS

Having considered the principal factors discussed above, we would draw your attention to the following key factors in arriving at our conclusion:

- (i) the Rights Issue would allow the Group to strengthen its capital base and optimise its capital structure as well as to provide additional working capital to cope with the increased rental expenses following the lease renewals of the Group’s certain retail stores and for the business expansion into the wholesale of exclusive premium watches in China;
- (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue to take up their provisional allotments in full to maintain their respective shareholdings in the Company;
- (iii) the Subscription Price has been determined based on arm’s length negotiations between the Company and the Underwriters;
- (iv) the discounts as represented by the Subscription Price fall within the LTD Range and the TERP Range which are in line with recent market trends; and
- (v) the Rights Issue will have positive impact on the net tangible assets and liquidity of the Group.

We consider the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver (which is to facilitate the implementation of the Rights Issue) are fair and reasonable so far as the Independent Shareholders are concerned and that the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for the three years ended 31 March 2012 is set out in the annual reports of the Company for the three years ended 31 March 2012 respectively. The unaudited financial information of the Group for the six months ended 30 September 2012 is disclosed in the interim report of the Company for such period. The said annual reports and interim report of the Company are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.irasia.com/listco/hk/kingfook/index.htm>).

The following is a summary of the consolidated financial information of the Group for each of the six months ended 30 September 2011 and 2012 and the three years ended 31 March 2010, 2011 and 2012, as extracted from the relevant interim and annual reports of the Company.

The Company's auditors, BDO Limited, have not issued any qualified opinion on the Group's financial statements for the three years ended 31 March 2010, 2011 and 2012.

	For the six months ended 30 September		For the year ended 31 March		
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (audited)	2011 HK\$'000 (audited)	2010 HK\$'000 (audited)
Revenue	554,209	696,791	1,353,355	1,263,852	1,221,596
Profit before taxation	3,306	15,620	36,424	43,561	79,241
Taxation	(10)	(4,302)	(1,070)	(8,992)	(14,457)
Profit for the period/year	<u>3,296</u>	<u>11,318</u>	<u>35,354</u>	<u>34,569</u>	<u>64,784</u>
Profit/(loss) attributable to:					
Shareholders of the Company	4,324	11,313	36,254	34,605	64,781
Minority interests	<u>(1,028)</u>	<u>5</u>	<u>(900)</u>	<u>(36)</u>	<u>3</u>
	<u>3,296</u>	<u>11,318</u>	<u>35,354</u>	<u>34,569</u>	<u>64,784</u>
Earnings per share	1.0 cent	2.6 cents	8.3 cents	8.0 cents	14.9 cents
Dividend per share					
Interim	0.05 cent	0.15 cent	0.15 cent	0.2 cent	0.3 cent
Final	n/a	n/a	0.7 cent	0.8 cent	1.2 cents
Amount absorbed by dividend	218	653	3,699	4,351	6,526

Note:

For the year ended 31 March 2012, the Group disposed of part of the shares of Hong Kong Exchanges and Clearing Limited with a gain of HK\$84,050,000.

For the six months ended 30 September 2012, the Group disposed of all the remaining shares of Hong Kong Exchanges and Clearing Limited with a gain of HK\$72,440,000. Also, on 3 May 2012, the Group entered into a provisional agreement for sale and purchase (the "Agreement") for the disposal of a real estate property at Tsuen Wan (the "Property") to an independent third party at the consideration of HK\$100,000,000 with a gain of about HK\$94,600,000 over the net carrying amount of the Property. The Agreement was completed on 2 November 2012.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 MARCH 2012

Set out below are the audited financial statements of the Group for the two years ended 31 March 2011 and 2012 which are published in the Company's annual report published on 24 July 2012.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	5	1,353,355	1,263,852
Cost of sales		<u>(980,085)</u>	<u>(910,174)</u>
Gross profit		373,270	353,678
Other operating income		93,374	17,518
Distribution and selling costs		(328,944)	(243,285)
Administrative expenses		(85,592)	(78,853)
Other operating expenses		<u>(11,256)</u>	<u>(2,673)</u>
Operating profit		40,852	46,385
Finance costs	6	(4,405)	(2,741)
Share of losses of jointly controlled entities	18	<u>(23)</u>	<u>(83)</u>
Profit before taxation	7	36,424	43,561
Taxation	8	<u>(1,070)</u>	<u>(8,992)</u>
Profit for the year		<u>35,354</u>	<u>34,569</u>
Profit/(loss) for the year attributable to:			
Shareholders of the Company	9	36,254	34,605
Minority interests		<u>(900)</u>	<u>(36)</u>
		<u>35,354</u>	<u>34,569</u>
Earnings per share for profit attributable to the shareholders of the Company during the year			
— Basic (HK cents)	11	<u>8.3 cents</u>	<u>8.0 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit for the year	<u>35,354</u>	<u>34,569</u>
Other comprehensive income		
Change in fair value of available-for-sale investments	(54,703)	53,936
Reclassification adjustment upon disposal of available-for-sale investments	(84,053)	—
Exchange translation differences	<u>1,360</u>	<u>2,324</u>
Other comprehensive income for the year	<u>(137,396)</u>	<u>56,260</u>
Total comprehensive income for the year	<u>(102,042)</u>	<u>90,829</u>
Total comprehensive income for the year attributable to:		
Shareholders of the Company	(101,142)	90,865
Minority interests	<u>(900)</u>	<u>(36)</u>
	<u>(102,042)</u>	<u>90,829</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2012

		As at 31 March 2012 HK\$'000	As at 31 March 2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	38,908	40,836
Investment properties	16	757	790
Interests in jointly controlled entities	18	—	22
Available-for-sale investments	19	98,534	237,386
Other assets	20	2,196	2,196
		<u>140,395</u>	<u>281,230</u>
Current assets			
Inventories	21	971,559	800,689
Debtors, deposits and prepayments	22	144,549	142,370
Investments at fair value through profit or loss	23	12,678	20,009
Tax recoverable		2,986	—
Trust bank balances held on behalf of clients	24	1,258	1,914
Cash and cash equivalents	25	46,852	69,799
		<u>1,179,882</u>	<u>1,034,781</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	26	93,688	116,209
Amount due to a jointly controlled entity	18	—	22
Tax payable		6	4,485
Gold loans, unsecured	27	31,541	27,042
Bank loans	28	215,666	81,166
		<u>340,901</u>	<u>228,924</u>
Net current assets		<u>838,981</u>	<u>805,857</u>
Total assets less current liabilities		<u>979,376</u>	<u>1,087,087</u>
Non-current liabilities			
Bank loans	28	65,000	65,000
Provision for long service payments	29	327	1,431
Deferred tax liabilities	33(a)	243	—
		<u>65,570</u>	<u>66,431</u>
Net assets		<u>913,806</u>	<u>1,020,656</u>

		As at 31 March 2012 <i>HK\$'000</i>	As at 31 March 2011 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	30	108,768	108,768
Other reserves	31(a)	139,957	277,353
Retained profits	31(a)		
Proposed final dividend		3,046	3,481
Others		663,465	630,910
		<u>915,236</u>	1,020,512
Minority interests		(1,430)	144
		<u>913,806</u>	<u>1,020,656</u>

BALANCE SHEET*As at 31 March 2012*

	<i>Note</i>	As at 31 March 2012 HK\$'000	As at 31 March 2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	2,830	3,419
Investments in subsidiaries	17	<u>123,152</u>	<u>123,157</u>
		----- 125,982	----- 126,576
Current assets			
Debtors, deposits and prepayments	22	1,144	865
Amounts due from subsidiaries	17	787,021	574,671
Cash and cash equivalents	25	<u>11,002</u>	<u>36,878</u>
		----- 799,167	----- 612,414
Current liabilities			
Creditors, deposits received and accruals	26	9,920	7,534
Amounts due to subsidiaries	17	310,452	263,612
Gold loans, unsecured	27	31,541	27,042
Bank loans	28	<u>215,666</u>	<u>81,166</u>
		----- 567,579	----- 379,354
Net current assets		<u>231,588</u>	<u>233,060</u>
Total assets less current liabilities		----- 357,570	----- 359,636
Non-current liabilities			
Bank loans	28	65,000	65,000
Provision for long service payments	29	<u>51</u>	<u>116</u>
		----- 65,051	----- 65,116
Net assets		<u>292,519</u>	<u>294,520</u>

		As at 31 March 2012 <i>HK\$'000</i>	As at 31 March 2011 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	30	108,768	108,768
Other reserves	31(b)	17,575	17,575
Retained profits	31(b)		
Proposed final dividend		3,046	3,481
Others		163,130	164,696
		292,519	294,520

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	108,768	17,575	24,753	8,216	170,549	606,027	935,888	232	936,120
2010 final dividend paid	—	—	—	—	—	(5,221)	(5,221)	—	(5,221)
2011 interim dividend paid	—	—	—	—	—	(870)	(870)	—	(870)
Additional interest in subsidiaries acquired by the Group	—	—	—	—	—	(150)	(150)	(52)	(202)
Transactions with shareholders	—	—	—	—	—	(6,241)	(6,241)	(52)	(6,293)
Profit/(loss) for the year	—	—	—	—	—	34,605	34,605	(36)	34,569
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	53,936	—	53,936	—	53,936
Exchange translation differences	—	—	—	2,324	—	—	2,324	—	2,324
Total comprehensive income for the year	—	—	—	2,324	53,936	34,605	90,865	(36)	90,829
At 31 March 2011	108,768	17,575	24,753	10,540	224,485	634,391	1,020,512	144	1,020,656
Representing:									
Proposed final dividend						3,481			
Others						630,910			
Retained profits as at 31 March 2011						634,391			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	108,768	17,575	24,753	10,540	224,485	634,391	1,020,512	144	1,020,656
2011 final dividend paid	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
2012 interim dividend paid	—	—	—	—	—	(653)	(653)	—	(653)
Arising from acquisition of a subsidiary	—	—	—	—	—	—	—	(674)	(674)
Transactions with shareholders	—	—	—	—	—	(4,134)	(4,134)	(674)	(4,808)
Profit/(loss) for the year	—	—	—	—	—	36,254	36,254	(900)	35,354
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(54,703)	—	(54,703)	—	(54,703)
Reclassification adjustment upon disposal of available-for-sale investments	—	—	—	—	(84,053)	—	(84,053)	—	(84,053)
Exchange translation differences	—	—	—	1,360	—	—	1,360	—	1,360
Total comprehensive income for the year	—	—	—	1,360	(138,756)	36,254	(101,142)	(900)	(102,042)
At 31 March 2012	108,768	17,575	24,753	11,900	85,729	666,511	915,236	(1,430)	913,806
Representing:									
Proposed final dividend						3,046			
Others						663,465			
Retained profits as at 31 March 2012						666,511			

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 HK\$'000	2011 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)/profit before working capital changes	32	(27,069)	47,799
Increase in inventories		(162,723)	(10,230)
Increase in debtors, deposits and prepayments		(6,219)	(36,416)
(Decrease)/increase in creditors, deposits received, accruals and deferred income		(28,577)	28,045
Decrease in amount due to a jointly controlled entity		—	(2)
Decrease/(increase) in trust bank balances held on behalf of clients		656	(357)
Dividends received from investments at fair value through profit or loss		161	1,654
Change in investments at fair value through profit or loss		3,229	(8,930)
Interest received		610	686
Hong Kong profits tax paid		(8,263)	(12,131)
Overseas tax paid		(29)	(20)
Long service payments paid		(139)	(45)
		<u> </u>	<u> </u>
<i>Net cash (used in)/generated from operating activities</i>		(228,363)	10,053
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow from acquisition of subsidiaries	34	218	—
Advance to a jointly controlled entity		(3,210)	—
Investment in a jointly controlled entity		(23)	—
Additional interests in subsidiaries acquired by the Group		—	(202)
Dividends received from available-for-sale investments		5,891	5,238
Proceeds from disposal of available-for-sale investments		84,149	—
Proceeds from disposal of a jointly controlled entity		1,224	—
Purchase of property, plant and equipment		(10,810)	(29,496)
		<u> </u>	<u> </u>
<i>Net cash generated from/(used in) investing activities</i>		77,439	(24,460)

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(3,407)	(2,484)
New bank and gold loans		311,879	315,626
Repayment of bank and gold loans		(177,394)	(289,255)
Dividends paid		(4,134)	(6,091)
		<u> </u>	<u> </u>
<i>Net cash generated from financing activities</i>		<u>126,944</u>	<u>17,796</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(23,980)	3,389
Cash and cash equivalents at the beginning of the year		69,799	64,693
Effect of foreign exchange rates changes, net		1,033	1,717
		<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>46,852</u>	<u>69,799</u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2012***1. GENERAL INFORMATION**

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements.

The financial statements for the year ended 31 March 2012 were approved for issue by the board of directors on 29 June 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

The financial statements on pages I – 2 to I – 64 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of the revised HKFRSs and the impact on the Group’s financial statements, if any, are disclosed in note 2.2.

These financial statements have been prepared on the historical cost basis except for gold bullion stocks held for trading, gold loans and financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in note 3.

2.2 Adoption of revised HKFRSs — effective 1 April 2011

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these revised HKFRSs has no significant impact on the Group’s financial statements.

2.3 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income ²
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets ¹
Amendments to HKFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities ³
Amendments to HKAS 32	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 19 (2011)	Employee Benefit ³
HKAS 27 (2011)	Separate Financial Statements ³
HKAS 28 (2011)	Investments in Associates and Joint Ventures ³
Annual Improvements Projects	Annual Improvements to HKFRSs 2009–2011 Cycle ³

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 July 2012

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2014

⁵ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7: Financial Instruments: Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised): Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9: Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

HKFRS 10: Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11: Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from the equity method to accounting for assets and liabilities.

HKFRS 12: Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effect of those interests on the reporting entity’s financial statements.

HKFRS 13: Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the management so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group’s financial statements.

2.4 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.5 below) (together referred to as the “Group”) made up to 31 March for each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group’s previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the minority interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other minority interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interest and the minority interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the minority interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any minority interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of minority interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such minority interest’s share of subsequent changes in equity. Total comprehensive income is attributed to such minority interests even if this results in those minority interests having a deficit balance.

2.5 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group is able to exercise control, where the Group has the power to control the financial and operating policies of the entities so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre-acquisition or post-acquisition profits are recognised in the Company's profit or loss.

2.6 Jointly controlled entities

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, an investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the jointly controlled entity's profit or loss in the year in which the investment is acquired.

Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition and post-tax results of the jointly controlled entity for the year, including any impairment loss on the investment in the jointly controlled entity recognised for the year.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Where unrealised losses on asset sales between the Group and its jointly controlled entity is reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the jointly controlled entity's accounting policies to those of the Group when the jointly controlled entity's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that the investment in jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the jointly controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity, including cash flows arising from the operations of the jointly controlled entity and the proceeds on ultimate disposal of the investment.

2.7 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date re-translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in capital and reserves.

When a foreign operation is sold, such exchange differences are reclassified from capital and reserves to profit or loss as part of the gain or loss on sale.

2.8 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group’s assets which yield interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) *Sale of goods*

Income from gold ornament, jewellery, watch, fashion and gift retailing, diamond wholesaling and bullion trading is recognised upon delivery of goods to customers, which is also the time when the significant risks and rewards of ownership are transferred to the customer.

(ii) *Commission income*

Commission income from securities broking and money exchange is recognised when services are rendered.

(iii) *Revenue on construction contracts*

When the outcome of the contract can be estimated reliably, revenue on fixed price construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is stated at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contracts is recognised immediately as an expense in profit or loss.

(iv) *Income from provision of travel related products and services*

Income from provision of travel related products and services is recognised when the services are rendered. Deposits received from customers prior to the delivery of services are included in current liabilities as “deferred income” and not recognised as revenue.

(v) Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

(vi) Rental income

Rental income is recognised on a straight line basis over the period of each lease.

(vii) Interest income

Interest income is recognised on a time apportion basis using the effective interest method.

2.9 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. They are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are expensed when incurred.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Buildings held under leasing agreements are depreciated over their expected useful lives of 40 to 50 years or over the term of lease, if shorter.

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over lease term
Leasehold improvements	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.11 Investment properties

Investment properties are land and buildings held under a leasehold interest to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any

accumulated impairment losses. Depreciation is provided so as to write off the cost of buildings held as investment properties using the straight line method over their expected useful lives ranging from 40 to 50 years or over the lease term, if shorter. Leasehold land held as investment property is depreciated over the lease term.

2.12 Impairment of non-financial assets

Property, plant and equipment, investment properties, investments in subsidiaries and jointly controlled entities stated at cost are subject to impairment testing. These assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and jointly controlled entities are set out below.

Financial assets are classified into the following categories:

- investments at fair value through profit or loss;
- loans and receivables; and
- available-for-sale investments.

Management determines the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) *Investments at fair value through profit or loss*

Investments at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend income and interest income are recognised in accordance with the Group's policies in notes 2.8(v) and 2.8(vii) to these financial statements.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) *Available-for-sale investments*

Non-derivative financial assets that do not qualify for inclusion in any of the categories of financial assets are classified as available-for-sale investments.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in capital and reserves, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is

de-recognised, at which time the cumulative gain or loss is reclassified from capital and reserves to profit or loss. Dividend income from those investments is recognised in profit or loss in accordance with the policy set out in note 2.8(v). Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

(ii) Available-for-sale investments

When a decline in the fair value of an available-for-sale investment has been recognised in other comprehensive income and accumulated in capital and reserves and there is objective evidence that the asset is

impaired, an amount is removed from capital and reserves and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent years.

For financial assets other than investments at fair value through profit or loss and trade and other receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and other receivables is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.15 Inventories

Inventories, other than gold bullion stocks held for trading, are stated at the lower of cost and estimated net realisable value. Cost is determined on an actual cost basis. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Gold bullion stocks held for trading are stated at fair value less cost to sell. Changes in fair value are recognised in profit or loss in the year of the change.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the tax years to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the year the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in capital and reserves if they relate to items that are charged or credited to other comprehensive income or directly to capital and reserves.

Current tax assets and current tax liabilities are presented on a net basis if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities on a net basis if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at banks, other financial institutions and in hand, short term bank deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Employee benefits

(i) *Defined contribution plans*

The Group operates a number of defined contribution retirement schemes in Hong Kong. Contributions are made based on certain percentages of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China, except Hong Kong (the "PRC"), are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

Contributions are recognised as expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) *Short term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Financial liabilities

The Group's financial liabilities include bank loans, gold loans, creditors and accruals. They are included in balance sheet line items as "bank loans", "gold loans, unsecured" and "creditors, deposits received, accruals and deferred income" under current liabilities and "bank loans" under non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.9).

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the term of the bank loans using the effective interest method.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. On initial recognition, gold loans are designated as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, gold loans are measured at fair value with changes in fair value recognised in profit or loss. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Borrowings, which include bank loans and gold loans, are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Creditors and accruals

Creditors and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.21 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and the general manager for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines. The Group has identified the following operating segments:

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the PRC
- (iii) Securities broking
- (iv) Construction services
- (v) Provision of travel related products and services

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. Since (ii) and (v) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (v) is reported under "All others". Although (iii) also does not meet the quantitative thresholds, it is separately presented as it is a major business line of the Group. Reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the top management. The top management assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements except as noted below.

Reportable segment assets and liabilities are all assets and liabilities excluding investments in securities, tax recoverable and payable and corporate assets and liabilities as they are not included in the internal management reporting information reviewed by the top management. Segment result excludes corporate income and expenses, and income and expenses arising from investments in securities and income tax.

Corporate income and expenses mainly include management fee income and expense, interest income and expense, employee benefit expense and operating lease charge of the Company and investment holding companies. Corporate assets and liabilities mainly include property, plant and equipment, cash and cash equivalents, bank loans and accrued expenses of the Company and investment holding companies.

2.23 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates property, plant and equipment on a straight line basis over the estimated useful lives of 7 to 50 years. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of available-for-sale investments

For unlisted investments that are carried at cost less impairment, objective evidence of impairment would include information about adverse changes in the technological, market, economic or legal environment in which the investee operates which indicates that the cost of the investment may not be recovered. Management judgement is required in determining whether these indicators exist and in estimating the future cash flows from holding (such as dividends) or selling the asset.

(iii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimation is based on the credit history of its customers and current market conditions. Management re-assesses the impairment of receivables at the reporting date.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management re-assesses these estimations at the reporting date to ensure inventory is shown at the lower of cost and net realisable value.

(v) Percentage of completion and estimation of foreseeable losses in respect of construction contracts

Revenue from construction contracts is recognised according to the percentage of completion of individual contracts. When foreseeable loss in respect of a particular contract is identified, such loss is recognised as an expense in profit or loss immediately. The percentage of completion and foreseeable loss of individual contracts are determined based on the actual costs incurred and the total estimated contract cost prepared by the management of the Group. In order to ensure the total estimated contract cost is accurate and up-to-date, management reviews the costs incurred to date and costs to completion frequently, in particular any cost over-runs and variation orders from customers, and revises the total estimated contract cost where necessary.

4. SEGMENT INFORMATION

The top management has identified the Group's four reporting segments as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Year ended 31 March 2012						
Revenue						
From external customers	1,284,824	3,937	54,922	9,672	—	1,353,355
Inter-segment sales	—	—	—	16	(16)	—
Reportable segment revenue	<u>1,284,824</u>	<u>3,937</u>	<u>54,922</u>	<u>9,688</u>	<u>(16)</u>	<u>1,353,355</u>
Interest income	116	71	1	—	—	188
Finance costs	(11,720)	—	(635)	—	—	(12,355)
Depreciation	(13,154)	(204)	(656)	(45)	—	(14,059)
Provision for and write down of inventories to net realisable value	(7,402)	—	—	—	—	(7,402)
Write off of other receivable	—	(6,000)	—	—	—	(6,000)
Share of loss of a jointly controlled entity	(23)	—	—	—	—	(23)
Reportable segment results	(6,413)	(13,224)	(30,454)	1,037	—	(49,054)
Corporate income						64,962
Corporate expenses						(65,326)
Dividend income						6,052
Gain on disposal of available-for-sale investments						84,053
Fair value change of investments at fair value through profit or loss						(4,263)
Profit before taxation						<u>36,424</u>
At 31 March 2012						
Reportable segment assets	1,130,138	22,258	29,293	8,621	—	1,190,310
Corporate assets						15,769
Available-for-sale investments						98,534
Investments at fair value through profit or loss						12,678
Tax recoverable						2,986
Total assets per consolidated balance sheet						<u>1,320,277</u>
Reportable segment liabilities	84,368	7,314	14,128	9,621	—	115,431
Corporate liabilities						290,791
Tax payable						6
Deferred tax liabilities						243
Total liabilities per consolidated balance sheet						<u>406,471</u>

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All thers HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Year ended 31 March 2011						
Revenue						
From external customers	1,229,908	6,108	19,847	7,989	—	1,263,852
Inter-segment sales	—	—	—	29	(29)	—
Reportable segment revenue	<u>1,229,908</u>	<u>6,108</u>	<u>19,847</u>	<u>8,018</u>	<u>(29)</u>	<u>1,263,852</u>
Interest income	260	81	1	—	—	342
Finance costs	(8,435)	—	(184)	—	—	(8,619)
Depreciation	(9,140)	(268)	(505)	(60)	—	(9,973)
Provision for and write down of inventories to net realisable value	(6,413)	—	—	—	—	(6,413)
Share of loss of a jointly controlled entity	—	—	(83)	—	—	(83)
Reportable segment results	<u>46,971</u>	<u>(4,188)</u>	<u>(8,006)</u>	<u>220</u>	<u>—</u>	<u>34,997</u>
Corporate income						54,709
Corporate expenses						(57,112)
Dividend income						6,892
Fair value change of investments at fair value through profit or loss						<u>4,075</u>
Profit before taxation						<u>43,561</u>
At 31 March 2011						
Reportable segment assets	947,012	40,591	20,085	8,768	—	1,016,456
Corporate assets						42,160
Available-for-sale investments						237,386
Investments at fair value through profit or loss						<u>20,009</u>
Total assets per consolidated balance sheet						<u>1,316,011</u>
Reportable segment liabilities	101,102	18,378	6,832	10,483	—	136,795
Corporate liabilities						154,075
Tax payable						<u>4,485</u>
Total liabilities per consolidated balance sheet						<u>295,355</u>

No geographical information is presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong.

For the years ended 31 March 2011 and 2012, the Group did not have a concentration of reliance on any single customer under each of the segments.

5. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the year comprised the following:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	1,250,405	1,196,948
Bullion trading	25,801	25,934
Commission from securities broking	3,937	6,108
Diamond wholesaling	8,618	7,026
	<u>1,288,761</u>	<u>1,236,016</u>
Other revenue		
Revenue on construction contracts	54,922	19,847
Income from provision of travel related products and services	9,672	7,989
	<u>64,594</u>	<u>27,836</u>
Total revenue	<u>1,353,355</u>	<u>1,263,852</u>

6. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	3,710	2,171
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	695	570
	<u>4,405</u>	<u>2,741</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Charging:		
Auditors' remuneration		
— provision for the current year	923	841
Cost of inventories sold, including	984,715	916,968
— provision for and write down of inventories to net realisable value	7,402	6,413
— reversal of write down of inventories	(8,282)	(7,072)
Depreciation of property, plant and equipment	15,035	11,201
Depreciation of investment properties	33	33
Fair value change of investments at fair value through profit or loss	4,263	—
Foreign exchange loss, net	438	—
Loss on jointly controlled entity	701	—
Loss on write off/disposal of property, plant and equipment	118	218
Operating lease charges in respect of properties	215,599	140,783
Operating lease charges in respect of furniture and fixtures	635	538
Outgoings in respect of investment properties	61	74
Provision for impairment losses of debtors		
— provided against allowance account	741	1,837
— reversal of provision	—	(39)
Provision for impairment loss of interest in a jointly controlled entity	—	193
Provision for impairment losses of other receivables		
— provided against allowance account	—	559
— reversal of provision	(1,028)	—
Write off of other receivable	6,000	—
	<u> </u>	<u> </u>
Crediting:		
Dividend income	6,052	6,892
Fair value change of investments at fair value through profit or loss	—	4,075
Foreign exchange gain, net	—	4,208
Gain on disposal of available-for-sale investments	84,053	—
Interest income from financial assets at amortised cost	610	686
Rental income		
— owned properties	654	721
— operating sub-leases	46	20
Reversal of provision for impairment loss of available-for-sale investments	—	96
Reversal of provision for impairment loss of interest in a jointly controlled entity	1,224	—
Write back of provision for long service payments (notes 12 and 29)	965	180
	<u> </u>	<u> </u>

The reversal of write down of inventories arose from inventories that were sold subsequently.

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
— Hong Kong		
Current year	2,641	9,346
Over provision of prior years	<u>(1,843)</u>	<u>(377)</u>
	----- 798	----- 8,969
— Overseas		
Current year	28	23
Under provision of prior years	<u>1</u>	<u>—</u>
	----- 29	----- 23
Deferred tax		
— Hong Kong		
Current year	<u>243</u>	<u>—</u>
Taxation charge	<u><u>1,070</u></u>	<u><u>8,992</u></u>

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before taxation	<u><u>36,424</u></u>	<u><u>43,561</u></u>
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	4,117	6,797
Tax effect of non-taxable income	(15,128)	(2,252)
Tax effect of non-deductible expenses	2,345	417
Temporary differences not recognised	504	(722)
Tax losses not recognised	10,438	4,033
Utilisation of previously unrecognised tax losses	(620)	(103)
Over provision of prior years	(1,842)	(377)
Others	<u>1,256</u>	<u>1,199</u>
Taxation charge	<u><u>1,070</u></u>	<u><u>8,992</u></u>

9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Of the consolidated profit attributable to the shareholders of the Company of HK\$36,254,000 (2011: HK\$34,605,000), a profit of HK\$2,133,000 (2011: HK\$4,105,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS**(a) Dividends attributable to the year**

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interim dividend of HK0.15 cent (2011: HK0.2 cent) per ordinary share	653	870
Proposed final dividend of HK0.7 cent (2011: HK0.8 cent) per ordinary share	<u>3,046</u>	<u>3,481</u>
	<u><u>3,699</u></u>	<u><u>4,351</u></u>

At a meeting held on 18 November 2010, the directors declared an interim dividend of HK0.2 cent per ordinary share for the year ended 31 March 2011. This interim dividend was paid on 20 December 2010 and was reflected as an appropriation of retained profits for the year ended 31 March 2011.

At a meeting held on 24 June 2011, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year ended 31 March 2011, which was approved by the shareholders at the annual general meeting held on 27 September 2011. This final dividend was paid on 14 October 2011 and has been reflected as an appropriation of retained profits for the year.

At a meeting held on 25 November 2011, the directors declared an interim dividend of HK0.15 cent per ordinary share for the year. This interim dividend was paid on 5 January 2012 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 29 June 2012, the directors proposed a final dividend of HK0.7 cent per ordinary share for the year, subject to the approval of the shareholders at the annual general meeting to be held on 24 August 2012. This proposed final dividend is not reflected as dividend payable as at 31 March 2012, but will be reflected as an appropriation of retained profits for the year ending 31 March 2013.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
2011 final dividend of HK0.8 cent per ordinary share (2011: 2010 final dividend of HK1.2 cents per ordinary share)	<u>3,481</u>	<u>5,221</u>

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$36,254,000 (2011: HK\$34,605,000) and on 435,071,650 (2011: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2012 was not presented as there were no dilutive potential ordinary shares during the year (2011: Nil).

12. EMPLOYEE BENEFIT EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Wages, salaries and allowances	95,047	86,295
Pension costs — defined contribution retirement schemes	4,392	3,891
Write back of provision for long service payments (note 29)	<u>(965)</u>	<u>(180)</u>
	<u><u>98,474</u></u>	<u><u>90,006</u></u>

Employee benefit expense as shown above includes directors' and chief executive's emoluments (note 13).

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Bonuses HK\$'000	Pension costs — defined contribution retirement schemes HK\$'000	Total HK\$'000
2012					
Executive directors					
Mr. Yeung Ping Leung, Howard	39	—	—	2	41
Mr. Tang Yat Sun, Richard	39	—	—	2	41
Mr. Cheng Ka On, Dominic	39	—	—	2	41
Mr. Yeung Bing Kwong, Kenneth	41	260	—	—	301
Ms. Fung Chung Yee, Caroline	37	1,226	669	92	2,024
Non-executive directors					
Mr. Wong Wei Ping, Martin	35	—	—	—	35
Mr. Ho Hau Hay, Hamilton	20	—	—	—	20
Mr. Sin Nga Yan, Benedict	20	—	—	—	20
Mr. Yeung Ka Shing	20	—	—	—	20
Independent non-executive directors					
Mr. Lau To Yee	70	—	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	—	72
Mr. Chan Chak Cheung, William	300	—	—	—	300
Chief executive					
Ms. Wong Ka Ki, Kay	—	1,158	—	87	1,245
	<u>732</u>	<u>2,644</u>	<u>669</u>	<u>185</u>	<u>4,230</u>
2011					
Executive directors					
Mr. Yeung Ping Leung, Howard	39	—	—	2	41
Mr. Tang Yat Sun, Richard	39	—	—	2	41
Mr. Cheng Ka On, Dominic	39	—	—	2	41
Mr. Yeung Bing Kwong, Kenneth	41	249	—	12	302
Ms. Fung Chung Yee, Caroline	37	1,178	822	88	2,125
Non-executive directors					
Mr. Wong Wei Ping, Martin	35	—	—	—	35
Mr. Ho Hau Hay, Hamilton	20	—	—	—	20
Mr. Sin Nga Yan, Benedict	20	—	—	—	20
Mr. Yeung Ka Shing	20	—	—	—	20
Independent non-executive directors					
Mr. Lau To Yee	70	—	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	—	72
Mr. Chan Chak Cheung, William	300	—	—	—	300
Chief executive					
Ms. Wong Ka Ki, Kay	—	1,114	433	83	1,630
	<u>732</u>	<u>2,541</u>	<u>1,255</u>	<u>189</u>	<u>4,717</u>

During the year, no emoluments were paid by the Group to the directors/chief executive as an inducement to join or upon joining the Group, or as compensation for loss of office (2011: Nil).

None of the directors/chief executive has waived or agreed to waive any emoluments in respect of the year (2011: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2011: one) director and one (2011: one) chief executive whose emoluments are reflected in the analysis presented in note 13. The emoluments payable to the remaining three (2011: three) highest paid, non-director/chief executive individuals during the year are as follows:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,734	2,695
Bonuses	1,986	1,891
Pension costs — defined contribution retirement schemes	<u>152</u>	<u>148</u>
	<u>4,872</u>	<u>4,734</u>

The emoluments of the three highest paid, non-director/chief executive individuals, fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK\$1,000,001 — HK\$1,500,000	2	2
HK\$2,000,001 — HK\$2,500,000	<u>1</u>	<u>1</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2011: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery, furniture and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2010					
Cost	11,053	38,580	41,868	1,497	92,998
Accumulated depreciation	<u>(5,229)</u>	<u>(31,442)</u>	<u>(32,431)</u>	<u>(1,368)</u>	<u>(70,470)</u>
Net book amount	<u>5,824</u>	<u>7,138</u>	<u>9,437</u>	<u>129</u>	<u>22,528</u>
Net book amount					
At 1 April 2010	5,824	7,138	9,437	129	22,528
Additions	—	25,180	3,766	550	29,496
Write off/disposals	—	(190)	(28)	—	(218)
Depreciation	(208)	(8,183)	(2,706)	(104)	(11,201)
Exchange difference	<u>—</u>	<u>215</u>	<u>15</u>	<u>1</u>	<u>231</u>
At 31 March 2011	<u>5,616</u>	<u>24,160</u>	<u>10,484</u>	<u>576</u>	<u>40,836</u>
At 31 March 2011					
Cost	11,053	49,495	45,547	2,094	108,189
Accumulated depreciation	<u>(5,437)</u>	<u>(25,335)</u>	<u>(35,063)</u>	<u>(1,518)</u>	<u>(67,353)</u>
Net book amount	<u>5,616</u>	<u>24,160</u>	<u>10,484</u>	<u>576</u>	<u>40,836</u>
Net book amount					
At 1 April 2011	5,616	24,160	10,484	576	40,836
Additions	—	7,862	2,948	—	10,810
Acquisition of subsidiaries	—	2,138	111	—	2,249
Write off/disposals	—	(71)	(47)	—	(118)
Depreciation	(208)	(11,813)	(2,910)	(104)	(15,035)
Exchange difference	<u>—</u>	<u>153</u>	<u>12</u>	<u>1</u>	<u>166</u>
At 31 March 2012	<u>5,408</u>	<u>22,429</u>	<u>10,598</u>	<u>473</u>	<u>38,908</u>
At 31 March 2012					
Cost	11,053	52,807	48,087	2,102	114,049
Accumulated depreciation	<u>(5,645)</u>	<u>(30,378)</u>	<u>(37,489)</u>	<u>(1,629)</u>	<u>(75,141)</u>
Net book amount	<u>5,408</u>	<u>22,429</u>	<u>10,598</u>	<u>473</u>	<u>38,908</u>

The Group's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

Depreciation expense of HK\$478,000 (2011: HK\$342,000) was included in cost of sales, HK\$13,175,000 (2011: HK\$9,217,000) was included in distribution and selling costs and HK\$1,382,000 (2011: HK\$1,642,000) was included in administrative expenses.

(b) Company

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery, furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010			
Cost	2,190	19,652	21,842
Accumulated depreciation	<u>(1,564)</u>	<u>(15,909)</u>	<u>(17,473)</u>
Net book amount	<u>626</u>	<u>3,743</u>	<u>4,369</u>
Net book amount At 1 April 2010	626	3,743	4,369
Additions	—	326	326
Write off	—	(15)	(15)
Depreciation	<u>(150)</u>	<u>(1,111)</u>	<u>(1,261)</u>
At 31 March 2011	<u>476</u>	<u>2,943</u>	<u>3,419</u>
At 31 March 2011			
Cost	2,190	19,879	22,069
Accumulated depreciation	<u>(1,714)</u>	<u>(16,936)</u>	<u>(18,650)</u>
Net book amount	<u>476</u>	<u>2,943</u>	<u>3,419</u>
Net book amount At 1 April 2011	476	2,943	3,419
Additions	196	249	445
Write off	—	(26)	(26)
Depreciation	<u>(113)</u>	<u>(895)</u>	<u>(1,008)</u>
At 31 March 2012	<u>559</u>	<u>2,271</u>	<u>2,830</u>
At 31 March 2012			
Cost	2,386	19,976	22,362
Accumulated depreciation	<u>(1,827)</u>	<u>(17,705)</u>	<u>(19,532)</u>
Net book amount	<u>559</u>	<u>2,271</u>	<u>2,830</u>

16. INVESTMENT PROPERTIES

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April		
Gross carrying amount	1,840	1,840
Accumulated depreciation	(1,050)	(1,017)
	<u> </u>	<u> </u>
Net carrying amount at 1 April	790	823
	<u> </u>	<u> </u>
Opening net carrying amount	790	823
Depreciation	(33)	(33)
	<u> </u>	<u> </u>
Closing net carrying amount	757	790
	<u> </u>	<u> </u>
At 31 March		
Gross carrying amount	1,840	1,840
Accumulated depreciation	(1,083)	(1,050)
	<u> </u>	<u> </u>
Net carrying amount at 31 March	757	790
	<u> </u>	<u> </u>

The Group's investment properties, which are land and buildings held under a leasehold interest, are situated in Hong Kong and are held under medium term leases.

The fair value of the Group's investment properties at 31 March 2012 was approximately HK\$16,700,000 (2011: HK\$14,320,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuation was estimated based on the properties' open market value which was based on market evidence of prices for comparable properties as at the reporting date.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in subsidiaries		
Unlisted shares, at cost	128,807	128,807
Less: Provision for impairment loss	(5,655)	(5,650)
	<u> </u>	<u> </u>
	123,152	123,157
	<u> </u>	<u> </u>
Amounts due from subsidiaries	787,021	574,671
	<u> </u>	<u> </u>
Amounts due to subsidiaries	(310,452)	(263,612)
	<u> </u>	<u> </u>

The amounts due from subsidiaries were unsecured, interest free, except for receivables of HK\$358,198,000 (2011: HK\$186,329,000) which bore interest at rates ranging from 2.11% to 5.00% (2011: 1.87% to 5.00%) per annum, being the effective interest rates as at 31 March 2012, and repayable on demand.

Details of the subsidiaries as at 31 March 2012 are as follows:

Name	Place/country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Elias Holdings Limited	The Republic of Liberia	1 ordinary share with no par value	100	100	Dormant
Evermind Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	80	80	Investment holding
Grand Year Engineering Limited	Hong Kong	1 ordinary share of HK\$1	80	—	Trading of construction materials
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC	US\$1,000,000	100	100	Dormant
Guangzhou Grand Year Building Materials Limited	PRC	HK\$1,000,000	80	—	Manufacturing of construction materials
Impact Link Limited [^]	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Watch wholesaling
Jacqueline Emporium Limited	Hong Kong	1,000 ordinary shares of HK\$100 each	100	—	Watch trading
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Dormant
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Manufacturing of jewellery products
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK\$10 each	100	100	Investment holding
King Fook Commodities Company Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK\$100 each	100	100	Investment holding and trading
King Fook Holding Management Limited	Hong Kong	50 ordinary shares of HK\$100 each	100	100	Dormant
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK\$1 each	100	100	Investment holding
King Fook Jewellery Designing & Trading Company Limited	Hong Kong	5,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK\$100 each	100	100	Gold ornament, jewellery, watch, fashion and gift retailing and bullion trading

Name	Place/country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
King Fook Jewellery Macau Limited [^]	Macau	MOP25,000	100	—	Dormant
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook (Beijing) Consultancy Services Limited [†]	PRC	US\$100,000	100	—	Business consultancy
King Fook Jewellery (Beijing) Company Limited	PRC	US\$1,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook Jewellery (China) Company Limited	PRC	RMB44,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook Jewellery (Suzhou) Company Limited	PRC	US\$300,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook (Shanghai) International Trading Limited [†]	PRC	US\$200,000	100	—	Gold ornament, jewellery and watch wholesaling
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK\$1 each	100	100	Investment trading
Mempro Limited	Isle of Man	100 ordinary shares of £1 each	60	—	Investment holding
Mempro S.A.*	Switzerland	1,052 ordinary shares of CHF1,000 each	59	—	Under liquidation
Metal Innovation Limited	British Virgin Islands	1 ordinary share of US\$1	80	—	Dormant
Most Worth Investments Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100	100	Investment holding
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK\$1 each	80	—	Provision of interior design services
Perfectrade Macau Limited	Macau	MOP25,000	80	—	Dormant
Polyview International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding and watch trading
PTE Engineering Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	80	—	Provision of construction services

Name	Place/country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Rich Point Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Dormant
Superior Travellers Services Limited	Hong Kong	500,000 ordinary shares of HK\$1 each	100	100	Sale of travel related products and provision of marketing services for sale of travel related products
Sure Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Dormant
Top Angel Limited	Hong Kong	1 ordinary share of HK\$1	100	—	Dormant
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Investment trading and advertising agency
Tincati Asia Limited (“Tincati”) [^]	Hong Kong	200 ordinary shares of HK\$100 each	51	—	Fashion wholesaling
Tincati (Hong Kong) Limited [^]	Hong Kong	1 ordinary share of HK\$1	51	—	Fashion retailing
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Dormant
Young’s Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK\$100 each	99.05	99.05	Diamond wholesaling
Young’s Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US\$10 each	99.05	—	Dormant
Young’s Diamond Corporation (Shanghai) Limited [#]	PRC	US\$200,000	100	100	Diamond wholesaling

[#] The names of these subsidiaries represent management’s translation of the Chinese names of these companies as no English names have been registered.

^{*} This subsidiary was engaged in import and distribution of memory extensions and computer peripheral products. It applied for liquidation during the year ended 31 March 2008. As at 31 March 2012, the liquidation process has not yet been completed. Provision for liquidation loss had been made during the year ended 31 March 2008 (note 26 (c)) and the management of the Group considered the amount is adequate and no further provision is necessary.

[^] Subsidiaries were established/incorporated/acquired during the year.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Share of net assets	—	4,657
Less: Provision for impairment loss	—	(4,635)
	<u>—</u>	<u>22</u>
Amount due to a jointly controlled entity	<u>—</u>	<u>22</u>

During the year, all the interests in jointly controlled entities have been disposed of.

Pursuant to the termination of the joint venture agreement, the share transfer agreement and the board resolution signed on 11 May 2011, the Group agreed to sell and the Group's joint venture partner of Shandong Tarzan King Fook Precious Metal Refinery Co. Ltd.[#] ("Shandong") agreed to buy the Group's 49% interest in Shandong at a consideration of RMB1,000,000. The disposal proceeds were received and a reversal of provision for impairment loss of interest in a jointly controlled entity of HK\$1,224,000 was recognised in profit or loss for the year.

Pursuant to the termination of the joint venture agreement signed on 5 January 2012, the Group agreed to sell and the Group's joint venture partner of China Union Building Materials (HK) Co. Ltd. ("CUBM") agreed to buy the Group's 49% interest in CUBM at a consideration of HK\$1. The disposal proceeds were received and a gain of HK\$1 was recognised in profit or loss for the year.

On 8 August 2011, the Group entered into a joint venture agreement with a joint venture partner and each of us owned a 50% equity interest in the jointly controlled entity, Tincati, with cost of investment of HK\$23,000. On 28 October 2011, the Group acquired a further 1% equity interest from the joint venture partner of Tincati at a consideration of HK\$1 and thereafter obtained control of Tincati. During the year, the Group has shared the loss of Tincati and its wholly owned subsidiary, Tincati (Hong Kong) Limited, (collectively, the "Tincati Group") up to its investment cost amount of HK\$23,000 before Tincati became a subsidiary of the Group.

The Group has not incurred any contingent liabilities or other commitments relating to its jointly controlled entities.

The Group's share of the jointly controlled entities' assets, liabilities, income and expenses are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At 31 March		
Non-current assets	—	893
Current assets	—	4,554
	<u>—</u>	<u>5,447</u>
Current liabilities	—	(790)
Net assets	<u>—</u>	<u>4,657</u>
Year ended 31 March		
Income	—	1,819
Expenses	(23)	(1,902)
Loss for the year	<u>(23)</u>	<u>(83)</u>

As at 31 March 2011, the amount due to a jointly controlled entity was unsecured, interest free and repayable on demand.

Details of the Group's interests in jointly controlled entities, which are unlisted corporate entities, as at 31 March 2011 are as follows:

Name	Form of business structure	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of interest held	Principal activities
Shandong	Limited liability	PRC	RMB10,000,000	49%	Gold refining and assaying
CUBM	Limited liability	Hong Kong	1,100,000 ordinary shares of HK\$1 each	49%	Trading of building materials

The name of this jointly controlled entity represents management's translation of the Chinese name of the company as no English name has been registered.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2012 HK\$'000	2011 HK\$'000
Listed debt and equity securities, at market value and fair value		
Listed in Hong Kong	87,368	221,671
Listed outside Hong Kong*	<u>10,214</u>	<u>14,667</u>
	<u>97,582</u>	<u>236,338</u>
Unlisted equity securities, at cost	3,827	3,923
Less: Provision for impairment loss [#]	<u>(3,231)</u>	<u>(3,231)</u>
	<u>596</u>	<u>692</u>
Membership licence, at cost	<u>356</u>	<u>356</u>
	<u>98,534</u>	<u>237,386</u>

* As at 31 March 2012, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company) held 38.7% (2011: 38.9%) and 5.1% (2011: 5.1%) equity interests respectively in an investee with carrying amount of HK\$5,284,000 (2011: HK\$9,768,000).

Impairment losses in respect of unlisted equity securities are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against unlisted equity securities directly. The movement in provision for impairment loss is as follows:

	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	3,231	3,327
Reversal of provision for impairment loss	<u>—</u>	<u>(96)</u>
At the end of the year	<u>3,231</u>	<u>3,231</u>

Fair value of the listed debt and equity securities have been determined directly by reference to published price quotations in active markets.

Unlisted equity securities and membership licence are measured at cost as the fair value cannot be measured reliably. There was no open market on the unlisted investments and the management has no intention to dispose of such investments at 31 March 2012.

These investments are subject to financial risk exposure in terms of price and currency risks.

20. OTHER ASSETS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Statutory deposits	2,126	2,126
Guarantee deposit	70	70
	<u>2,196</u>	<u>2,196</u>

21. INVENTORIES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Jewellery	444,827	373,812
Gold ornament and bullion	41,907	35,468
Watch, gift and fashion	482,394	387,472
Construction materials	2,431	3,937
	<u>971,559</u>	<u>800,689</u>

As at 31 March 2012, the carrying amount of gold bullion stocks carried at fair value less cost to sell was approximately HK\$9,860,000 (2011: HK\$4,298,000).

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	<i>Note</i>	Group		Company	
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade debtors	(a)	38,586	48,980	—	—
Other receivables	(b)	35,746	28,435	259	185
Deposits and prepayments		64,217	52,955	885	680
Insurance claim receivable	(c)	6,000	12,000	—	—
		<u>144,549</u>	<u>142,370</u>	<u>1,144</u>	<u>865</u>

Note:

(a) Trade debtors

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount of trade debtors	44,927	54,917
Less: Provision for impairment loss	<u>(6,341)</u>	<u>(5,937)</u>
Trade debtors — net	<u><u>38,586</u></u>	<u><u>48,980</u></u>

The management of the Group considered that the fair values of trade debtors are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The movement in provision for impairment loss is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	5,937	4,464
Impairment loss for the year	741	1,837
Directly written off during the year	(337)	(325)
Reversal during the year	<u>—</u>	<u>(39)</u>
At the end of the year	<u><u>6,341</u></u>	<u><u>5,937</u></u>

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31 March 2012, the Group has determined trade debtors of HK\$6,341,000 (2011: HK\$5,937,000) as individually impaired. Based on this assessment, an additional provision for impairment loss of HK\$741,000 (2011: HK\$1,837,000) has been recognised. The impaired trade debtors are due from customers experiencing financial difficulties and were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade debtors, whether determined on an individual or a collective basis.

At 31 March, the ageing analysis of the trade debtors, based on the invoice dates, was as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	26,014	38,458
31–90 days	7,515	2,214
More than 90 days	<u>5,057</u>	<u>8,308</u>
	<u><u>38,586</u></u>	<u><u>48,980</u></u>

The trade debtors as at 31 March 2012 consisted of receivables from customers of the securities broking business amounting to HK\$6,626,000 (2011: HK\$17,804,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

The ageing analysis of trade debtors based on due dates that are neither individually nor collectively considered to be impaired was as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	25,495	34,248
Past due 90 days or less	8,034	6,859
Past due more than 90 days but less than 1 year	725	4,149
Past due more than 1 year	<u>4,332</u>	<u>3,724</u>
At 31 March	<u><u>38,586</u></u>	<u><u>48,980</u></u>

As at 31 March 2012, trade debtors that were neither past due nor impaired related to customers for whom there were no recent history of default.

Trade debtors that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable. The Group did not hold any material collateral in respect of trade debtors past due but not impaired.

(b) Other receivables

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount of other receivables	39,403	33,346
Less: Provision for impairment loss	<u>(3,657)</u>	<u>(4,911)</u>
Other receivables — net	<u><u>35,746</u></u>	<u><u>28,435</u></u>

The management of the Group considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in provision for impairment loss is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	4,911	4,352
Impairment loss for the year	—	559
Directly written off during the year	(226)	—
Reversal during the year	<u>(1,028)</u>	<u>—</u>
At the end of the year	<u><u>3,657</u></u>	<u><u>4,911</u></u>

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31 March 2012, the Group has determined other receivables of HK\$3,657,000 (2011: HK\$4,911,000) as individually impaired. Based on this assessment, no additional provision for impairment loss (2011: provision of HK\$559,000) has been recognised. The impaired other receivables are due from counter parties experiencing financial difficulties and were in default or delinquency of payments.

As at 31 March 2011, included in other receivables was an advance made by the Group to an independent third party of HK\$2,085,000. This advance was secured by certain diamonds with a carrying amount of HK\$4,652,000 as assessed by the management of the Group. This receivable was subsequently settled on 8 June 2011. Interest charged on this receivable of HK\$20,000 was recognised during the year ended 31 March 2012.

(c) During the year ended 31 March 2006, the Group discovered that a former director of a subsidiary of the Company (the “Subsidiary”) had misappropriated securities belonging to the clients of the Subsidiary. Such securities had a total market value of about HK\$28,800,000. During the year ended 31 March 2007, the Group had made compensation to the relevant clients. Based on the findings of the investigation and internal control review reports prepared by a firm of independent professional accountants, the directors of the Company considered that the provision for compensation made in the prior years was adequate.

In this regard, the Group also has an insurance policy with a cover of HK\$15,000,000 (subject to an excess of HK\$3,000,000) and the Group recognised the net amount of HK\$12,000,000 as insurance claim receivable accordingly.

In February 2011, the Subsidiary commenced a legal proceeding against the underwriters of the insurance policy (the “Underwriters”). The Subsidiary claimed for the sum of HK\$16,000,000 for the losses suffered as a result of relevant events insured pursuant to the terms of the contract of insurance of HK\$15,000,000 and costs and expenses of HK\$1,000,000 as a consequence of conducting an investigation. During the year, the Underwriters sought for mediation, and after a process of negotiation, the Underwriters’ proposed settlement of HK\$6,000,000 was finally accepted by the Group subsequent to the year ended 31 March 2012. Accordingly, as at 31 March 2012, the Group has determined an insurance claim receivable of HK\$6,000,000 (2011: Nil) as impaired. The remaining HK\$6,000,000 was settled subsequent to 31 March 2012.

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 <i>HK\$’000</i>	2011 <i>HK\$’000</i>
Equity securities, at market value and fair value		
Listed in Hong Kong	2,949	2,733
Listed outside Hong Kong	9,729	17,276
	<u>12,678</u>	<u>20,009</u>

The above investments are classified as held for trading.

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date.

Movements in investments at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows.

Changes in fair value of investments at fair value through profit or loss are recorded in other operating income and expenses in the consolidated income statement.

These investments are subject to financial risk exposure in terms of price and currency risks.

24. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities dealing, it receives and holds money from clients in the course of conducting its regulated activities. These clients' monies are maintained at banks in one or more segregated bank accounts and placed on short term time deposits. As at 31 March 2011 and 2012, no clients' monies were placed on short term time deposits. The trust bank balances were maintained in bank current accounts which do not carry any interest. The Group has classified the clients' monies as trust bank balances held on behalf of clients under the current assets section of the consolidated balance sheet and recognised the corresponding payables (note 26(b)) to the respective clients under the current liabilities section of the consolidated balance sheet on the grounds that the Group is liable for any loss or misappropriation of clients' monies.

25. CASH AND CASH EQUIVALENTS**(a) Group**

Cash and cash equivalents include the following components:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash at banks and in hand	41,729	38,230
Cash at other financial institutions	1,070	5,734
Short term bank deposits	4,053	25,835
	<u>46,852</u>	<u>69,799</u>

The cash balances at banks and other financial institutions bore interest at floating rates based on daily bank deposit rates.

The effective interest rates of short term bank deposits were 0.1% (2011: 0.001% to 0.04%) per annum, which were the effective interest rates at 31 March 2012. These deposits had a maturity of 31 days (2011: 1 to 32 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

The management of the Group considered that the fair value of the short term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in cash and cash equivalents of the Group were balances of HK\$6,578,000 (2011: HK\$4,998,000) denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

(b) Company

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash at banks and in hand	<u>11,002</u>	<u>36,878</u>

The cash balances at banks bore interests at floating rates based on daily bank deposit rates.

26. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Note	Group		Company	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Trade payables	(a)	34,763	38,620	—	—
Other payables and accruals	(b)	46,842	62,736	9,920	7,534
Deposits received and deferred income		11,408	14,178	—	—
Other provision	(c)	675	675	—	—
		<u>93,688</u>	<u>116,209</u>	<u>9,920</u>	<u>7,534</u>

Note:

(a) At 31 March, the ageing analysis of the trade payables, based on the invoice dates, was as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Within 30 days	19,858	35,972
31–90 days	8,027	996
More than 90 days	6,878	1,652
	<u>34,763</u>	<u>38,620</u>

(b) At 31 March 2012, included in other payables, there was an amount of approximately HK\$1,258,000 (2011: HK\$1,914,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand.

(c) The Group has applied for liquidation of a subsidiary and a provision on the liquidation loss of HK\$675,000 was made during the year ended 31 March 2008.

All amounts are short term in nature and hence the carrying values of creditors, deposits received, accruals and deferred income are considered to be a reasonable approximation of their fair values.

27. GOLD LOANS, UNSECURED

	Group and Company	
	2012 HK\$'000	2011 HK\$'000
Gold loans at market value		
Repayable within one year	<u>31,541</u>	<u>27,042</u>

Gold loans were denominated at United States dollars ("US\$") and bore interest at fixed rates ranging from 2.30% to 2.75% (2011: 1.75% to 2.20%) per annum, which were the effective interest rates at 31 March 2012.

Fair value of the gold loans has been determined by reference to its quoted bid price at the reporting date.

Gold loans are subject to financial risk exposure in terms of price risk and foreign currency risk.

28. BANK LOANS

	Group and Company	
	2012	2011
	HK\$'000	HK\$'000
Bank loans		
— unsecured	235,666	146,166
— secured	45,000	—
	<u>280,666</u>	<u>146,166</u>

At 31 March 2012, total current and non-current bank loans are scheduled to be repaid as follows:

	Group and Company	
	2012	2011
	HK\$'000	HK\$'000
Bank loans are repayable as follows:		
Within one year	215,666	81,166
In the second year	26,000	30,000
In the third to fifth years, inclusive	39,000	35,000
	<u>280,666</u>	<u>146,166</u>
Portion classified as current liabilities	<u>(215,666)</u>	<u>(81,166)</u>
Non-current portion	<u>65,000</u>	<u>65,000</u>

At 31 March 2012, the bank loan of the Company of HK\$45,000,000 (2011: Nil) was secured by an insurance policy with coverage of HK\$19,404,000 (2011: Nil).

All bank loans were denominated in HK\$ and US\$ and bore interest at variable rates ranging from 1.48% to 4.10% (2011: 0.91% to 2.09%) per annum, which were the effective interest rates at 31 March 2012.

The carrying values of bank loans are considered to be a reasonable approximation of their fair values.

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	1,431	1,656	116	116
Payments	(139)	(45)	—	—
Write back	(965)	(180)	(65)	—
	<u>327</u>	<u>1,431</u>	<u>51</u>	<u>116</u>

The balances as at 31 March 2011 and 2012 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment, which are not fully covered by the Group's provident fund schemes.

30. SHARE CAPITAL

	Group and Company	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Authorised:		
620,000,000 (2011: 620,000,000) ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (2011: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

31. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity.

The share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

The capital reserve account of the Group includes negative goodwill arising on acquisitions of subsidiaries before 1 April 2001 which represented the excess of the fair value of the Group's share of the net assets acquired over the cost of the acquisitions.

(b) Company

	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010	17,575	170,163	187,738
Profit for the year	—	4,105	4,105
Dividends	—	(6,091)	(6,091)
	<u>17,575</u>	<u>168,177</u>	<u>185,752</u>
At 31 March 2011			
Representing:			
Proposed final dividend (note 10)		3,481	
Others		164,696	
		<u>168,177</u>	
At 1 April 2011	17,575	168,177	185,752
Profit for the year	—	2,133	2,133
Dividends	—	(4,134)	(4,134)
	<u>17,575</u>	<u>166,176</u>	<u>183,751</u>
At 31 March 2012			
Representing:			
Proposed final dividend (note 10)		3,046	
Others		163,130	
		<u>166,176</u>	

Details of the share premium account of the Company are set out in note 31(a) above.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to operating (loss)/profit before working capital changes is as follows:

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before taxation		36,424	43,561
Depreciation of property, plant and equipment		15,035	11,201
Depreciation of investment properties		33	33
Dividend income from investments at fair value through profit or loss/available-for-sale investments		(6,052)	(6,892)
Fair value change of investments at fair value through profit or loss		4,263	(4,075)
Gain on disposal of available-for-sale investments		(84,053)	—
Interest expense		4,405	2,741
Interest income		(610)	(686)
Loss on jointly controlled entity	34	701	—
Loss on write off/disposal of property, plant and equipment		118	218
Provision for and write down of inventories to net realisable value		7,402	6,413
Provision for impairment losses of debtors		741	1,837
Provision for impairment loss of interest in a jointly controlled entity		—	193
Provision for impairment losses of other receivables		—	559
Reversal of provision for impairment loss of available-for-sale investments		—	(96)
Reversal of provision for impairment losses of debtors		—	(39)
Reversal of provision for impairment loss of interest in a jointly controlled entity		(1,224)	—
Reversal of provision for impairment losses of other receivables		(1,028)	—
Reversal of write down of inventories to net realisable value		(8,282)	(7,072)
Share of losses of jointly controlled entities		23	83
Write back of provision for long service payments		(965)	(180)
Write off of other receivable		6,000	—
		<u>(27,069)</u>	<u>47,799</u>
Operating (loss)/profit before working capital changes		<u>(27,069)</u>	<u>47,799</u>

33. DEFERRED TAX**(a) Group**

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 16.5% (2011: 16.5%).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation allowance		Tax losses		Net amount shown in balance sheet	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	485	629	(485)	(629)	—	—
Charged/(credited) to consolidated income statement	142	(144)	101	144	243	—
At the end of the year	627	485	(384)	(485)	243	—

Deferred income tax assets are recognised for tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Those are not recognised in the financial statements as it is not probable that taxable profits will be available against which the tax losses can be utilised due to unpredictability of future profit streams. At 31 March 2012, the Group has unrecognised tax losses of the Company and subsidiaries operating in Hong Kong and the subsidiaries operating in the PRC of approximately HK\$143,163,000 and HK\$23,920,000 (2011: HK\$108,656,000 and HK\$7,317,000) respectively.

The tax losses of the subsidiaries operating in the PRC can be carried forward for five years and the tax losses of the companies operating in Hong Kong will not expire under the current tax legislation.

At 31 March 2012, there were no material temporary differences for which deferred tax liabilities have not been recognised (2011: Nil). No deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of certain subsidiaries because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

(b) Company

At 31 March 2012, the Company has no material deferred tax liabilities (2011: Nil). The Company has unrecognised estimated tax losses of HK\$15,328,000 (2011: HK\$14,718,000) to carry forward against future taxable income and these tax losses have no expiry dates. They are not recognised in the financial statements as it is not probable that taxable profits will be available against which the tax losses can be utilised due to unpredictability of future profit streams.

34. BUSINESS COMBINATION

On 8 August 2011, the Group entered into a joint venture agreement with a joint venture partner and each of us owned a 50% equity interest in the jointly controlled entity, Tincati, with cost of investment of HK\$23,000. On 28 October 2011, the Group acquired a further 1% equity interest from the joint venture partner of Tincati at a consideration of HK\$1 and thereafter obtained control of Tincati.

Tincati Group is mainly engaged in the retailing of luxury apparel and accessories for men. As a result of the acquisition, the Group diversified into fashion retailing business.

The following table summarises the consideration paid for Tincati Group, the fair value of assets acquired, liabilities assumed and the minority interest at the acquisition date:

	<i>HK\$'000</i>
Consideration at 28 October 2011:	
Cash	—
Fair value of equity interest in Tincati Group held before the business combination	(701)
Total consideration	<u>(701)</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	2,249
Inventories	2,753
Debtors, deposits and prepayments	1,673
Cash and cash equivalents	218
Creditors, deposits received and accruals	(5,058)
Loans from a shareholder	<u>(3,210)</u>
Total identifiable net liabilities	(1,375)
Minority interests	<u>674</u>
Total	<u>(701)</u>
Total purchase consideration	—
Cash and cash equivalents in subsidiaries acquired	<u>218</u>
Cash inflow on acquisition	<u>218</u>

The fair value of the debtors, deposits and prepayment is HK\$1,673,000 and includes trade debtors with a fair value of HK\$70,000 which is also the gross contractual amount. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group has elected to measure the minority interest that represents ownership interest in Tincati at the proportionate share of the identifiable net liabilities.

A loss of HK\$701,000 resulting from remeasuring the Group's equity interest in Tincati held before the business combination is recognised in profit or loss.

Since the acquisition date, Tincati Group has contributed revenue of HK\$1,529,000 and loss of HK\$1,846,000 to the Group's revenue and profit. If the acquisition had occurred on 1 April 2011, the Group's revenue and profit would have been HK\$1,353,483,000 and HK\$33,947,000 respectively.

35. OPERATING LEASE COMMITMENTS

At 31 March, the total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

(a) Group

	2012			2011		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	207,748	306	208,054	177,073	114	177,187
In the second to fifth years, inclusive	157,238	114	157,352	297,322	—	297,322
	<u>364,986</u>	<u>420</u>	<u>365,406</u>	<u>474,395</u>	<u>114</u>	<u>474,509</u>

(b) Company

	2012			2011		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	2,048	306	2,354	487	114	601
In the second to fifth years, inclusive	765	114	879	—	—	—
	<u>2,813</u>	<u>420</u>	<u>3,233</u>	<u>487</u>	<u>114</u>	<u>601</u>

The Group and the Company lease a number of land and buildings and other assets under operating leases. The leases run for an initial period of one to ten years (2011: one to ten years) and two years (2011: two years) respectively.

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

36. FUTURE OPERATING LEASE RECEIVABLES

At 31 March, the total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Within one year	397	632
In the second to fifth years, inclusive	—	389
	<u>397</u>	<u>1,021</u>

The Group leases out its investment properties under operating lease arrangements which run for an initial period of one to two years (2011: one to two years), with option to renew the lease term at the expiry date.

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	8,741	7,327
Contender Limited	(b)	31,594	5,360
Fabrico (Mfg) Limited	(c)	300	180
Shahdan Limited	(d)	641	534
Operating lease rental on furniture and fixtures paid to			
Stanwick Properties Limited	(a)	306	306
Consultancy fees paid to Verbal Company Limited	(e)	5,200	5,500
Management fees, rates and air-conditioning charges paid to:			
Stanwick Properties Limited	(a)	675	658
Contender Limited	(b)	2,668	496
Shahdan Limited	(d)	172	134
		<u> </u>	<u> </u>

The above related party transactions were entered into on normal commercial terms.

Note:

- (a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick Properties Limited (“Stanwick”) for the office and shop premises occupied by the Group. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.
- (b) The operating lease rental, management fees, rates and air-conditioning charges were paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited (“Miramar”), a shareholder of the Company until 17 September 2010, for the shop premises occupied and the advertising signboards and showcases used by the Group. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The operating lease rental was paid to Fabrico (Mfg) Limited (“Fabrico”) for the premises occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The operating lease rental, management fees, rates and air-conditioning charges were paid to Shahdan Limited (“Shahdan”) for the office premises occupied by the Group. Shahdan is a wholly owned subsidiary of Miramar (note (b)).
- (e) The Company had entered into a consultancy service agreement with Verbal Company Limited (“Verbal”), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.

(f) Compensation of key management personnel

Included in employee benefit expense is key management personnel's compensation which comprises the following categories:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages, salaries and allowances	7,366	7,712
Pension costs — defined contribution retirement schemes	331	320
	<u>7,697</u>	<u>8,032</u>

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to financial risks. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below.

38.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current assets				
Available-for-sale investments				
Financial assets at fair value	97,582	236,338	—	—
Financial assets at cost less impairment loss	952	1,048	—	—
	<u>98,534</u>	<u>237,386</u>	<u>—</u>	<u>—</u>
Current assets				
Investments at fair value through profit or loss	12,678	20,009	—	—
Loans and receivables				
Financial assets at amortised cost				
— Trade debtors	38,586	48,980	—	—
— Amounts due from subsidiaries	—	—	787,021	574,671
— Other receivables	35,746	28,435	259	185
— Insurance claim receivable	6,000	12,000	—	—
— Trust bank balances held on behalf of clients	1,258	1,914	—	—
Cash and cash equivalents	46,852	69,799	11,002	36,878
	<u>141,120</u>	<u>181,137</u>	<u>798,282</u>	<u>611,734</u>
	<u>239,654</u>	<u>418,523</u>	<u>798,282</u>	<u>611,734</u>
Non-current liabilities				
Financial liabilities at amortised cost				
— Bank loans	65,000	65,000	65,000	65,000
Current liabilities				
Financial liabilities at fair value through profit or loss				
— Gold loans, unsecured	31,541	27,042	31,541	27,042
Financial liabilities at amortised cost				
— Trade payables	34,763	38,620	—	—
— Amount due to a jointly controlled entity	—	22	—	—
— Amounts due to subsidiaries	—	—	310,452	263,612
— Other payables and accruals	46,842	62,736	9,920	7,534
— Bank loans	215,666	81,166	215,666	81,166
	<u>328,812</u>	<u>209,586</u>	<u>567,579</u>	<u>379,354</u>
	<u>393,812</u>	<u>274,586</u>	<u>632,579</u>	<u>444,354</u>

38.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of operations and its investing activities.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt periodically and at each reporting date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

The credit risks for proceeds from sale of investments at fair value through profit or loss of the Group are considered immaterial as the counterparties are reputable financial institutions (broker with high quality credit ratings). The credit risks for cash and cash equivalents of the Group and the Company are also regarded as immaterial as they are deposited with major banks and other financial institutions located in Hong Kong and the PRC.

Saved as disclosed in note 22(b), the Group does not hold other material collateral over the financial assets. None of the financial assets of the Company are secured by collateral or other credit enhancements.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

38.3 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's transactions are carried out in HK\$. Exposures to currency exchange rates arise from the Group's investments, which are denominated in US\$, cash and cash equivalents, which are denominated in Euro ("EUR"), Swiss Franc ("CHF") and US\$, gold loans and bank loans which are denominated in US\$.

Details of significant financial assets and liabilities denominated in foreign currencies as at the reporting date, translated into HK\$ equivalents at the closing rate, are as follows:

	2012			2011		
	EUR	CHF	US\$	EUR	CHF	US\$
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
Available-for-sale investments	—	—	10,214	—	—	14,667
Cash and cash equivalents	67	—	770	5,763	15,794	726
Financial liabilities						
Gold loans, unsecured	—	—	(31,541)	—	—	(27,042)
Bank loans	—	—	(4,666)	—	—	(4,666)
Net exposure	<u>67</u>	<u>—</u>	<u>(25,223)</u>	<u>5,763</u>	<u>15,794</u>	<u>(16,315)</u>

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign currency risk becomes significant.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to the reasonably possible changes in the foreign currency rate of CHF and EUR, to which the Group has significant exposure at the reporting date.

	2012	Effect on	2011	Effect on
	Increase/ (decrease) in foreign currency rate	profit after tax and retained profits <i>HK\$'000</i>	Increase/ (decrease) in foreign currency rate	profit after tax and retained profits <i>HK\$'000</i>
CHF	15%	—	15%	2,369
CHF	(15%)	—	(15%)	(2,369)
EUR	15%	10	15%	864
EUR	(15%)	(10)	(15%)	(864)

A reasonable change in US\$ rates in the next twelve months is assessed to result in an immaterial change in the Group's and Company's profit after tax, retained profits and other components of capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exchange differences.

38.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to changes in market interest rates through its cash at banks and other financial institutions and bank loans at floating interest rates, which are subject to variable interest rates. The interest rates and terms are disclosed in notes 25 and 28.

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

A reasonable change in interest rates in the next twelve months is assessed to result in an immaterial change in the Group's and Company's profit after tax and retained profits. Changes in interest rates have no impact on the Group's and Company's other components of capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

38.5 Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as investments at fair value through profit or loss and available-for-sale investments. Other than unquoted securities, all of these investments are listed.

The Group's listed investments are primarily listed on the stock exchanges of Hong Kong, the PRC and the United States of America ("USA"). Listed investments held in the available-for-sale portfolio have been chosen based on their long term growth potential and are monitored regularly for performance against expectations.

The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and investment revaluation reserve in response to the reasonably possible changes in the stock market prices of Hong Kong, USA and the PRC, to which the Group has significant exposure at the reporting date.

	Increase/ (decrease) in security market price	2012 Effect on profit after tax and retained profits HK\$'000	Effect on investment revaluation reserve HK\$'000	Increase/ (decrease) in security market price	2011 Effect on profit after tax and retained profits HK\$'000	Effect on investment revaluation reserve HK\$'000
Hong Kong market	30%	885	26,210	30%	820	66,502
Hong Kong market	(30%)	(885)	(26,210)	(30%)	(820)	(66,502)
USA market	30%	—	3,064	30%	—	4,400
USA market	(30%)	—	(3,064)	(30%)	—	(4,400)
PRC market	30%	2,919	—	30%	4,110	—
PRC market	(30%)	(2,919)	—	(30%)	(5,183)	—

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the reporting date and had been applied to the exposure to price risk for the non-derivative financial instruments in existence at that date. The 30% increase/decrease represents management's assessment of a reasonably possible change in equity prices over the period until the next annual reporting date. The analysis was performed on the same basis for the year ended 31 March 2011.

The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exposure to fair value change.

The Company has no significant investments subject to equity price risk.

Commodity price risk

The Group's and the Company's commodity price risk arises from gold loans (note 27). Since the level of gold stocks is close to that of gold loans and they have offsetting effect on price fluctuation, the management of the Group does not expect that there will be any significant commodity price risk exposure.

The policies to manage commodity price risk have been followed by the Group since prior years and are considered to be effective.

38.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financial obligations, and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The management of the Group is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31 March 2012, the Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, as set out below:

(a) Group

	On demand HK\$'000	Within 6 months HK\$'000	6 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
At 31 March 2012					
Trade payables	13,474	21,289	—	—	34,763
Other payables and accruals	18,588	17,292	10,962	—	46,842
Gold loans, unsecured	—	31,925	—	—	31,925
Bank loans	—	198,157	20,755	66,959	285,871
	<u>32,062</u>	<u>268,663</u>	<u>31,717</u>	<u>66,959</u>	<u>399,401</u>
At 31 March 2011					
Trade payables	2,873	35,747	—	—	38,620
Other payables and accruals	38,127	16,825	7,784	—	62,736
Amount due to a jointly controlled entity	22	—	—	—	22
Gold loans, unsecured	—	27,136	—	—	27,136
Bank loans	—	72,663	9,660	66,547	148,870
	<u>41,022</u>	<u>152,371</u>	<u>17,444</u>	<u>66,547</u>	<u>277,384</u>

(b) Company

	On demand HK\$'000	Within 6 months HK\$'000	6 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
At 31 March 2012					
Other payables and accruals	985	8,038	92	—	9,115
Gold loans, unsecured	—	31,925	—	—	31,925
Bank loans	—	198,157	20,755	66,959	285,871
Amounts due to subsidiaries	310,452	—	—	—	310,452
	<u>311,437</u>	<u>238,120</u>	<u>20,847</u>	<u>66,959</u>	<u>637,363</u>
At 31 March 2011					
Other payables and accruals	2,039	5,420	75	—	7,534
Gold loans, unsecured	—	27,136	—	—	27,136
Bank loans	—	72,663	9,660	66,547	148,870
Amounts due to subsidiaries	263,612	—	—	—	263,612
	<u>265,651</u>	<u>105,219</u>	<u>9,735</u>	<u>66,547</u>	<u>447,152</u>

38.7 Fair values measurements — Group

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

	2012 — Group			Total
	Level 1	Level 2	Level 3	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Available-for-sale investments				
— Listed	97,582	—	—	97,582
Investments at fair value through profit or loss	12,678	—	—	12,678
Total fair values	110,260	—	—	110,260
Liabilities				
Gold loans, unsecured	31,541	—	—	31,541
Total fair values	31,541	—	—	31,541
Net fair values	78,719	—	—	78,719
	2011 — Group			Total
	Level 1	Level 2	Level 3	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Available-for-sale investments				
— Listed	236,338	—	—	236,338
Investments at fair value through profit or loss	20,009	—	—	20,009
Total fair values	256,347	—	—	256,347
Liabilities				
Gold loans, unsecured	27,042	—	—	27,042
Total fair values	27,042	—	—	27,042
Net fair values	229,305	—	—	229,305

There have been no significant transfers between levels 1 and 2 in the reporting period.

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The equity capital-to-overall financing ratio at reporting date was as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Equity capital		
Total capital and reserves	<u>913,806</u>	<u>1,020,656</u>
Overall financing		
Gold loans, unsecured	31,541	27,042
Bank loans	<u>280,666</u>	<u>146,166</u>
	<u>312,207</u>	<u>173,208</u>
Equity capital-to-overall financing ratio	<u>2.93: 1</u>	<u>5.89: 1</u>

40. POST BALANCE SHEET EVENT

On 3 May 2012, the Group entered into a provisional agreement for sale and purchase (the "Agreement") for the disposal of a real estate property at Tsuen Wan to an independent third party at the consideration of HK\$100,000,000 with a gain of about HK\$94,600,000 over the book value arising on the disposal. The Agreement is expected to be completed on or before 2 November 2012.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The following information has been extracted from the interim report of the Company for the six months ended 30 September 2012:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		Unaudited	
		Six months ended 30 September	
		2012	2011
	Note	HK\$'000	HK\$'000
Revenue	4	554,209	696,791
Cost of sales		<u>(401,469)</u>	<u>(489,691)</u>
Gross profit		152,740	207,100
Other operating income		76,018	8,244
Distribution and selling costs		(168,570)	(153,464)
Administrative expenses		(39,738)	(39,972)
Other operating expenses		<u>(12,546)</u>	<u>(4,671)</u>
Operating profit		7,904	17,237
Finance costs	5	(4,598)	(1,594)
Share of loss of a jointly controlled entity		<u>—</u>	<u>(23)</u>
Profit before taxation	6	3,306	15,620
Taxation	8	<u>(10)</u>	<u>(4,302)</u>
Profit for the period		<u>3,296</u>	<u>11,318</u>
Profit/(loss) for the period attributable to:			
Shareholders of the Company		4,324	11,313
Minority interests		<u>(1,028)</u>	<u>5</u>
		<u>3,296</u>	<u>11,318</u>
Earnings per share for profit attributable to the shareholders of the Company for the period	10		
— Basic (HK cents)		<u>1.0 cent</u>	<u>2.6 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Unaudited	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	3,296	11,318
Other comprehensive income		
Change in fair value of available-for-sale investments	(17,339)	(75,378)
Reclassification adjustment upon disposal of available-for-sale investments	(72,702)	—
Reclassification adjustment upon impairment loss of available-for-sale investments	4,312	—
Exchange translation differences	(1,389)	1,155
Other comprehensive income for the period	(87,118)	(74,223)
Total comprehensive income for the period	(83,822)	(62,905)
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(82,794)	(62,910)
Minority interests	(1,028)	5
	(83,822)	(62,905)

CONSOLIDATED BALANCE SHEET

As at 30 September 2012

		Unaudited As at 30 September 2012 HK\$'000	Audited As at 31 March 2012 HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	43,059	38,908
Investment properties		741	757
Available-for-sale investments	12	3,828	98,534
Other assets		2,196	2,196
		<u>49,824</u>	<u>140,395</u>
Current assets			
Inventories		1,063,287	971,559
Debtors, deposits and prepayments	13	131,203	144,549
Investments at fair value through profit or loss		10,816	12,678
Tax recoverable		4,862	2,986
Trust bank balances held on behalf of clients		1,569	1,258
Cash and cash equivalents		47,530	46,852
		<u>1,259,267</u>	<u>1,179,882</u>
Non-current assets held for sale	14	4,476	—
		<u>1,263,743</u>	<u>1,179,882</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	15	111,752	93,688
Tax payable		4	6
Gold loans, unsecured		33,818	31,541
Bank loans	16	238,500	215,666
		<u>384,074</u>	<u>340,901</u>
Net current assets		<u>879,669</u>	<u>838,981</u>
Total assets less current liabilities		<u>929,493</u>	<u>979,376</u>

		Unaudited As at 30 September 2012 HK\$'000	Audited As at 31 March 2012 HK\$'000
	<i>Note</i>		
Non-current liabilities			
Bank loans	16	102,000	65,000
Provision for long service payments		312	327
Deferred tax liabilities		243	243
		<u>102,555</u>	<u>65,570</u>
Net assets		<u><u>826,938</u></u>	<u><u>913,806</u></u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	17	108,768	108,768
Other reserves		52,839	139,957
Retained profits			
Proposed dividend		218	3,046
Others		667,571	663,465
		<u>829,396</u>	915,236
Minority interests		<u>(2,458)</u>	<u>(1,430)</u>
		<u><u>826,938</u></u>	<u><u>913,806</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Capital and reserves attributable to the shareholders of the Company						Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000			
For the six months ended 30 September 2012									
At 1 April 2012 (audited)	108,768	17,575	24,753	11,900	85,729	666,511	915,236	(1,430)	913,806
2012 final dividend paid (note 9(b))	—	—	—	—	—	(3,046)	(3,046)	—	(3,046)
Transactions with shareholders	—	—	—	—	—	(3,046)	(3,046)	—	(3,046)
Profit/(loss) for the period	—	—	—	—	—	4,324	4,324	(1,028)	3,296
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(17,339)	—	(17,339)	—	(17,339)
Reclassification adjustment upon disposal of available- for-sale investments	—	—	—	—	(72,702)	—	(72,702)	—	(72,702)
Reclassification adjustment upon impairment loss of available-for-sale investments	—	—	—	—	4,312	—	4,312	—	4,312
Exchange translation differences	—	—	—	(1,389)	—	—	(1,389)	—	(1,389)
Total comprehensive income for the period	—	—	—	(1,389)	(85,729)	4,324	(82,794)	(1,028)	(83,822)
At 30 September 2012 (unaudited)	108,768	17,575	24,753	10,511	—	667,789	829,396	(2,458)	826,938
Representing:									
Proposed interim dividend (note 9(a))						218			
Others						667,571			
Retained profits as at 30 September 2012						667,789			

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve on consolidation <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended 30 September 2011									
At 1 April 2011 (audited)	108,768	17,575	24,753	10,540	224,485	634,391	1,020,512	144	1,020,656
2011 final dividend (note 9(b))	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
Transactions with shareholders	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
Profit for the period	—	—	—	—	—	11,313	11,313	5	11,318
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(75,378)	—	(75,378)	—	(75,378)
Exchange translation differences	—	—	—	1,155	—	—	1,155	—	1,155
Total comprehensive income for the period	—	—	—	1,155	(75,378)	11,313	(62,910)	5	(62,905)
At 30 September 2011 (unaudited)	108,768	17,575	24,753	11,695	149,107	642,223	954,121	149	954,270
Representing:									
Proposed interim dividend (note 9(a))						653			
Others						641,570			
Retained profits as at 30 September 2011						642,223			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Net cash used in operating activities	(109,464)	(56,094)
Net cash generated from/(used in) investing activities	59,033	(300)
Net cash generated from financing activities	<u>52,485</u>	<u>49,413</u>
Net increase/(decrease) in cash and cash equivalents	2,054	(6,981)
Cash and cash equivalents at the beginning of the period	46,852	69,799
Effect of foreign exchange rate changes, net	<u>(1,376)</u>	<u>886</u>
Cash and cash equivalents at the end of the period	<u><u>47,530</u></u>	<u><u>63,704</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. GENERAL INFORMATION AND BASIS OF PREPARATION

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, diamond wholesaling, securities broking and provision of construction services.

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2012 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2012, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual HKFRSs, HKASs and Interpretations) as disclosed in note 2 below. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012.

These unaudited interim condensed consolidated financial statements have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

2. ADOPTION OF REVISED HKFRSs

In the current period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 April 2012:

Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets

The adoption of the above amendments has no material impact on the Group’s financial statements.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group’s top management including executive directors and general manager for their decisions about resources allocation to the Group’s business components and for their review of these components’ performance. The business components in the internal financial information reported to the top management are determined according to the Group’s major product and service lines. The Group has identified the following operating segments:

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the People’s Republic of China
- (iii) Securities broking
- (iv) Construction services
- (v) Provision of travel related products and services

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. Since (ii) and (v) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (v) is reported under “All others”. Although (iii) and (iv) also do not meet the quantitative thresholds, they are separately presented as they are the major business lines of the Group. Reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the top management. The top management assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements except as noted below.

Reportable segment assets and liabilities are all assets and liabilities excluding investments in securities, tax recoverable and payable and corporate assets and liabilities as they are not included in the internal management reporting information reviewed by the top management. Segment result excludes corporate income and expenses, and income and expenses arising from investments in securities and income tax.

Corporate income and expenses mainly include management fee income and expense, interest income and expense, employee benefit expense and operating lease charge of the Company and investment holding companies. Corporate assets and liabilities mainly include property, plant and equipment, cash and cash equivalents, bank loans and accrued expenses of the Company and investment holding companies.

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Unaudited						
For the six months ended						
30 September 2012						
Revenue						
From external customers	539,458	1,048	8,746	4,957	—	554,209
Inter-segment sales	—	—	205	1	(206)	—
Reportable segment revenue	<u>539,458</u>	<u>1,048</u>	<u>8,951</u>	<u>4,958</u>	<u>(206)</u>	<u>554,209</u>
Interest income	61	34	2	—	—	97
Finance costs	(8,918)	—	(516)	—	—	(9,434)
Depreciation	(10,114)	(119)	(320)	(20)	—	(10,573)
Provision for and write down of inventories to net realisable value	(3,677)	—	—	—	—	(3,677)
Provision for impairment losses of other receivables	(6,508)	—	(240)	—	—	(6,748)
Reportable segment results	<u>(55,386)</u>	<u>(3,542)</u>	<u>(9,931)</u>	<u>965</u>	<u>—</u>	<u>(67,894)</u>
Corporate income						33,418
Corporate expenses						(30,367)
Dividend income						1,621
Gain on disposal of available-for-sale investments						72,702
Fair value change of investments at fair value through profit or loss						(1,862)
Provision for impairment loss of available-for-sale investments						(4,312)
Profit before taxation						<u>3,306</u>
Unaudited						
At 30 September 2012						
Reportable segment assets	1,225,206	35,078	19,555	7,418	—	1,287,257
Corporate assets						6,804
Available-for-sale investments						3,828
Investments at fair value through profit or loss						10,816
Tax recoverable						4,862
Total assets per consolidated balance sheet						<u>1,313,567</u>
Reportable segment liabilities	112,700	9,183	10,708	8,629	—	141,220
Corporate liabilities						345,162
Tax payable						4
Deferred tax liabilities						243
Total liabilities per consolidated balance sheet						<u>486,629</u>

	Retailing, bullion trading and diamond wholesaling <i>HK\$'000</i>	Securities broking <i>HK\$'000</i>	Construction services <i>HK\$'000</i>	All others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
For the six months ended						
30 September 2011						
Revenue						
From external customers	656,487	2,372	32,693	5,239	—	696,791
Inter-segment sales	—	—	—	10	(10)	—
Reportable segment revenue	<u>656,487</u>	<u>2,372</u>	<u>32,693</u>	<u>5,249</u>	<u>(10)</u>	<u>696,791</u>
Interest income	48	49	—	—	—	97
Finance costs	(4,851)	—	(234)	—	—	(5,085)
Depreciation	(5,870)	(94)	(313)	(27)	—	(6,304)
Provision for and write down of inventories to net realisable value	(2,043)	—	—	—	—	(2,043)
Share of loss of a jointly controlled entity	(23)	—	—	—	—	(23)
Reportable segment results	<u>18,538</u>	<u>(3,570)</u>	<u>(2,143)</u>	<u>1,002</u>	<u>—</u>	<u>13,827</u>
Corporate income						30,076
Corporate expenses						(30,463)
Dividend income						5,990
Fair value change of investments at fair value through profit or loss						(3,810)
Profit before taxation						<u>15,620</u>
Audited						
At 31 March 2012						
Reportable segment assets	1,130,138	22,258	29,293	8,621	—	1,190,310
Corporate assets						15,769
Available-for-sale investments						98,534
Investments at fair value through profit or loss						12,678
Tax recoverable						2,986
Total assets per consolidated balance sheet						<u>1,320,277</u>
Reportable segment liabilities	84,368	7,314	14,128	9,621	—	115,431
Corporate liabilities						290,791
Tax payable						6
Deferred tax liabilities						243
Total liabilities per consolidated balance sheet						<u>406,471</u>

No geographical information is presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong.

The Group did not have a concentration of reliance on any single customer under each of the segments.

4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the period comprised the following:

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	528,535	636,200
Bullion trading	8,127	15,428
Commission from securities broking	1,048	2,372
Diamond wholesaling	2,796	4,859
	<u>540,506</u>	<u>658,859</u>
	-----	-----
Other revenue		
Revenue on construction contracts	8,746	32,693
Income from provision of travel related products and services	4,957	5,239
	<u>13,703</u>	<u>37,932</u>
	-----	-----
Total revenue	<u>554,209</u>	<u>696,791</u>

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	4,169	1,312
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	429	282
	<u>4,598</u>	<u>1,594</u>
	-----	-----

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Charging:		
Cost of inventories sold, including	405,726	489,132
— provision for and write down of inventories to net realisable value	3,677	2,043
— reversal of write down of inventories	(4,510)	(4,968)
Depreciation of property, plant and equipment	11,042	6,813
Depreciation of investment properties	16	16
Fair value change of investments at fair value through profit or loss	1,862	3,810
Foreign exchange loss, net	—	678
Loss on write off/disposal of property, plant and equipment	52	22
Operating lease charges in respect of properties	108,101	103,812
Operating lease charges in respect of furniture and fixtures	325	309
Outgoings in respect of investment properties	30	31
Provision for impairment loss of available-for-sale investments	4,312	—
Provision for impairment losses of trade debtors		
— provided against allowance account	148	160
— reversal of provision	(576)	—
Provision for impairment losses of other receivables		
— provided against allowance account	6,748	—
Provision for long service payments		
— provided against the account	65	—
— reversal of provision	(57)	(965)
	<u> </u>	<u> </u>
Crediting:		
Dividend income	1,621	5,990
Foreign exchange gain, net	899	—
Gain on disposal of available-for-sale investments	72,702	—
Interest income from financial assets at amortised cost	209	303
Rental income		
— owned properties	287	330
— operating sub-leases	37	15
Reversal of provision for impairment loss of interest in a jointly controlled entity	—	1,224
	<u> </u>	<u> </u>

The reversal of write down of inventories arose from inventories that were sold subsequently.

7. EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages, salaries and other benefits	49,979	44,269
Pension costs — defined contribution retirement schemes	2,453	2,198
Provision for long service payments	65	—
Reversal of provision for long service payments	(57)	(965)
	<u>52,440</u>	<u>45,502</u>

Employee benefit expense as shown above includes directors' and chief executive's emoluments.

8. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit for the period. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2011. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Unaudited	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
— Hong Kong		
Current period	—	4,286
— Overseas		
Current period	10	16
Taxation charge	<u>10</u>	<u>4,302</u>

9. DIVIDEND

(a) Dividend attributable to the period

	Unaudited	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared after the interim period end of HK0.05 cent (note (ii)) (2011: HK0.15 cent (note (i))) per ordinary share	<u>218</u>	<u>653</u>

Note:

- (i) At a meeting held on 25 November 2011, the Board of Directors declared an interim dividend of HK0.15 cent per ordinary share for the year ended 31 March 2012. This interim dividend was paid on 5 January 2012 and was reflected as an appropriation of retained profits for the year ended 31 March 2012.
- (ii) At a meeting held on 23 November 2012, the Board of Directors declared an interim dividend of HK0.05 cent per ordinary share for the year ending 31 March 2013. This interim dividend is not reflected as dividend payable in these unaudited interim condensed consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 March 2013.

(b) Dividend attributable to the previous financial year

	Unaudited	
	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
2012 final dividend of HK0.7 cent per ordinary share (2011: 2011 final dividend of HK0.8 cent per ordinary share)	<u>3,046</u>	<u>3,481</u>

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$4,324,000 (six months ended 30 September 2011: HK\$11,313,000) and on 435,071,650 (2011: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2012 was not presented as there were no dilutive potential ordinary shares during the period (six months ended 30 September 2011: Nil).

11. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$19,748,000 (six months ended 30 September 2011: HK\$3,409,000) which mainly related to the acquisitions of leasehold improvements, motor vehicle and furniture and equipment.

12. AVAILABLE-FOR-SALE INVESTMENTS

At 30 September 2012, included in available-for-sale investments were investment in equity securities of a company (the "Investee Company"), carried at market value of HK\$2,876,000 (at 31 March 2012: HK\$5,284,000), listed outside Hong Kong.

At 30 September 2012, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company) held 38.7% (at 31 March 2012: 38.7%) and 5.1% (at 31 March 2012: 5.1%) equity interests respectively in the Investee Company.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2012 <i>HK\$'000</i>	Audited As at 31 March 2012 <i>HK\$'000</i>
Trade debtors	34,107	38,586
Other receivables	35,999	35,746
Deposits and prepayments	61,097	64,217
Insurance claim receivable	—	6,000
	<u>131,203</u>	<u>144,549</u>

The ageing analysis of trade debtors, based on the invoice dates, was as follows:

	Unaudited As at 30 September 2012 <i>HK\$'000</i>	Audited As at 31 March 2012 <i>HK\$'000</i>
Within 30 days	20,293	26,014
31–90 days	6,008	7,515
More than 90 days	7,806	5,057
	<u>34,107</u>	<u>38,586</u>

Trade debtors as at 30 September 2012 consisted of receivables from customers of the securities broking business amounting to HK\$7,186,000 (at 31 March 2012: HK\$6,626,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

14. NON-CURRENT ASSETS HELD FOR SALE

On 3 May 2012, the Group entered into a provisional agreement for sale and purchase (the “Agreement”) for the disposal of a real estate property at Tsuen Wan (the “Property”) to an independent third party at the consideration of HK\$100,000,000 with a gain of about HK\$94,600,000 over the net carrying amount of the Property. The Agreement was completed on 2 November 2012. Accordingly, as at 30 September 2012, the net carrying amount of the Property has been reclassified as non-current assets held for sale.

15. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited As at 30 September 2012 <i>HK\$'000</i>	Audited As at 31 March 2012 <i>HK\$'000</i>
Trade payables	46,689	34,763
Other payables and accruals	41,400	46,842
Deposits received and deferred income	22,988	11,408
Other provision	675	675
	<u>111,752</u>	<u>93,688</u>

The ageing analysis of trade payables, based on the invoice dates, was as follows:

	Unaudited As at 30 September 2012 <i>HK\$'000</i>	Audited As at 31 March 2012 <i>HK\$'000</i>
Within 30 days	37,862	19,858
31–90 days	2,621	8,027
More than 90 days	6,206	6,878
	<u>46,689</u>	<u>34,763</u>

16. BANK LOANS

	Unaudited As at 30 September 2012 <i>HK\$'000</i>	Audited As at 31 March 2012 <i>HK\$'000</i>
Bank loans		
— unsecured	300,500	235,666
— secured	40,000	45,000
	<u>340,500</u>	<u>280,666</u>

At 30 September 2012, total current and non-current bank loans are scheduled to be repaid as follows:

	Unaudited As at 30 September 2012 HK\$'000	Audited As at 31 March 2012 HK\$'000
Bank loans are repayable as follows:		
Within one year	238,500	215,666
In the second year	36,000	26,000
In the third to fifth years, inclusive	<u>66,000</u>	<u>39,000</u>
	340,500	280,666
Portion classified as current liabilities	<u>(238,500)</u>	<u>(215,666)</u>
Non-current portion	<u><u>102,000</u></u>	<u><u>65,000</u></u>

At 30 September 2012, the bank loan of HK\$40,000,000 (at 31 March 2012: HK\$45,000,000) was secured by an insurance policy with coverage of HK\$19,359,000 (at 31 March 2012: HK\$19,404,000).

17. SHARE CAPITAL

	Unaudited As at 30 September 2012 HK\$'000	Audited As at 31 March 2012 HK\$'000
Authorised:		
620,000,000 (at 31 March 2012: 620,000,000) ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (at 31 March 2012: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

18. OPERATING LEASE COMMITMENTS

(a) Future operating lease payables

The total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	Unaudited As at 30 September 2012			Audited As at 31 March 2012		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	190,271	267	190,538	207,748	306	208,054
In the second to fifth years, inclusive	<u>124,891</u>	<u>—</u>	<u>124,891</u>	<u>157,238</u>	<u>114</u>	<u>157,352</u>
	<u><u>315,162</u></u>	<u><u>267</u></u>	<u><u>315,429</u></u>	<u><u>364,986</u></u>	<u><u>420</u></u>	<u><u>365,406</u></u>

The Group leases a number of land and buildings and other assets under operating leases. The leases run for an initial period of one to ten years (at 31 March 2012: one to ten years) and two years (at 31 March 2012: two years) respectively.

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

(b) Future operating lease receivables

The total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are receivable by the Group as follows:

	Unaudited As at 30 September 2012 <i>HK\$'000</i>	Audited As at 31 March 2012 <i>HK\$'000</i>
Within one year	<u>147</u>	<u>397</u>

The Group leases out its investment properties under operating lease arrangements which run for an initial period of one to two years (at 31 March 2012: one to two years).

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	Unaudited		
	Six months ended 30 September		
	2012	2011	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>Note</i>
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a) 4,883	3,923	
Contender Limited	(b) 15,319	15,161	
Fabrico (Mfg) Limited	(c) 150	150	
Shahdan Limited	(d) 320	320	
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a) 153	153	
Consultancy fees paid to Verbal Company Limited	(e) —	2,750	
Management fees, rates and air-conditioning charges paid to:			
Stanwick Properties Limited	(a) 564	329	
Contender Limited	(b) 1,386	1,280	
Shahdan Limited	(d) 94	84	

The above related party transactions were entered into on normal commercial terms.

Note:

- (a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.
- (b) The operating lease rental, management fees, rates and air-conditioning charges were paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") for the shop premises occupied and the advertising signboards and showcases used by the Group. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.

- (c) The operating lease rental was paid to Fabrico (Mfg) Limited (“Fabrico”) for the premises occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The operating lease rental, management fees, rates and air-conditioning charges were paid to Shahdan Limited (“Shahdan”) for the office premises occupied by the Group. Shahdan is a wholly owned subsidiary of Miramar (note (b)).
- (e) For the six months ended 30 September 2011, the Company had entered into a consultancy service agreement with Verbal Company Limited (“Verbal”), whereby Verbal provided the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal. For the six months ended 30 September 2012, a service agreement was entered in substitution for any previous service agreement whereby Verbal agrees to procure specifically the service of Mr. Yeung Ping Leung, Howard as an Executive Director and Chairman of the Company responsible for overall planning of the business strategy of the Company. Accordingly, the remuneration paid in accordance with the service agreement was regarded as director’s emoluments included in employee benefit expenses.
- (f) Compensation of key management personnel

Included in employee benefit expense is key management personnel’s compensation which comprises the following categories:

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$’000	HK\$’000
Wages, salaries and other benefits	4,827	2,305
Pension costs — defined contribution retirement schemes	197	165
	5,024	2,470

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 November 2012.

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2013, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$313,033,000 comprising long term bank loans of approximately HK\$84,000,000, short term bank loans of approximately HK\$198,500,000 and gold loans of approximately HK\$30,533,000. As at 31 March 2013, except for the bank loan of the Group of HK\$35,000,000 which was secured by an insurance policy with coverage of HK\$19,390,000, all other loans were unsecured.

As at the close of business on 31 March 2013, the Group had no contingent liability arising in the ordinary course of business.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into HK\$ at the approximate rates of exchange prevailing at the close of business on 31 March 2013.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any other bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding as at the close of business on 31 March 2013.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The prolonged sovereign debt crisis in Europe and its knock-on effect on the global economy cause uncertainties in the economic outlook and have adversely affected consumer sentiment. The Group expects that the global economic environment will continue to be challenging and severe in the near future. Profit margins will remain tight as the escalating retail rental, salary and other operating costs are expected to persist in the coming year.

Looking forward, the Group will monitor the market conditions in deciding on the structure and size of its retail network. The Group will try to expand its customer base and closely monitor inventory at a reasonable level. The management of the Company (the "Management") will continue to take stringent cost control measures and closely monitor changes in the operating environment. Also, the Management will maintain the policy to streamline operations and optimise internal resources in order to achieve a higher degree of cost-efficiency for better results.

Despite of the uncertainties of the global economic conditions and the challenging business environment, the Management will use its best efforts to continue to enhance and create value to the Shareholders.

6. WORKING CAPITAL

The Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular after taking into account its internal resources and available banking facilities together with the estimated net proceeds from the Rights Issue.

7. MATERIAL CHANGE

Save as (i) disclosed in the interim report of the Company for the six months ended 30 September 2012, in particular, the decrease in turnover by approximately 20.5% (mainly attributable to the adverse effect on the consumer sentiment and spending as a result of the slowdown of the PRC's economic growth and its export sector was being hit by the global slowdown and the credit tightening policies of the Chinese Government), the increases in other operating income by approximately 8 times (mainly contributed from the gain on disposal of available-for-sale investments) and the increase in finance costs by approximately 188.5% (mainly caused by the drawdown of new bank loans during the six months ended 30 September 2012) as compared with those for the six months ended 30 September 2011, and the decrease in available-for-sale investments by approximately 96.1% (mainly due to the disposal of all the remaining shares of Hong Kong Exchanges and Clearing Limited held by the Group during the six months ended 30 September 2012) as compared with that as at 31 March 2012; and (ii) the completion of the disposal of a real estate property on 2 November 2012 with a gain of about HK\$94,600,000 over the book value of the property as disclosed in the Company's announcement dated 3 May 2012 and the interim report for the six months ended 30 September 2012, the Board confirms that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2012 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “Unaudited Pro Forma Financial Information”) prepared in accordance with paragraph 4.29 of the Listing Rules and is set out to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 September 2012.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, based on the judgements, estimates and assumptions for the directors of the Company, and because of its nature, it may not give a true picture of the financial position of the Group as at 30 September 2012 had the Rights Issue actually completed on 30 September 2012 or any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2012, as extracted from the published interim report of the Group as of 30 September 2012 and the adjustments described in the accompanying notes.

	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2012 <i>HK\$'000</i> <i>(Note 2)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the Rights Issue <i>HK\$'000</i>
Issue of 217,535,825 Rights Shares at subscription price of HK\$0.55 per Rights Share <i>(Note 1)</i>	829,396	115,045	944,441
	<i>HK\$</i>		<i>HK\$</i>
Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 September 2012 <i>(Note 3)</i>	1.91		
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share after the Rights Issue <i>(Note 5)</i>			1.45

Notes

1. The Rights Issue of 217,535,825 Rights Shares is calculated on the basis of one Rights Share for every two existing Shares and 435,071,650 Shares in issue as at the Latest Practicable Date.
2. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2012 is extracted from the published unaudited interim report of the Group for the six months ended 30 September 2012.
3. The calculation of consolidated net tangible assets of the Group attributable to the owners of the Company per Share is based on 435,071,650 Shares in issue as at 30 September 2012.
4. The estimated net proceeds from the Rights Issue is calculated based on 217,535,825 Rights Shares to be issued at the Subscription Price of HK\$0.55 per Rights Share and after deduction of the estimated related expense including financial advisory fees and other professional fees, which are directly attributable to the Rights Issue of approximately HK\$4,600,000.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after completion of the Rights Issue is calculated based on 652,607,475 Shares which comprise 435,071,650 Shares in issue as at 30 September 2012 and 217,535,825 Rights Shares expected to be issued upon the completion of the Rights Issue.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2012.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

13 May 2013

The Board of Directors
King Fook Holdings Limited
9th Floor, King Fook Building
30–32 Des Voeux Road Central
Hong Kong

Dear Sirs

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF KING FOOK HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of King Fook Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) attributable to the owners of the Company as set out on pages II – 1 to II – 2 under the heading of “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II to the Company’s circular dated 13 May 2013 (the “Circular”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue of 217,535,825 rights shares on the basis of one rights share for every two existing shares at HK\$0.55 per rights share to the qualifying shareholders of the Company on the record date (the “Proposed Rights Issue”) might have affected the net tangible assets of the Group if the Proposed Rights Issue had taken place as at 30 September 2012. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group” in Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any

responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial positions of the Group had the Proposed Rights Issue actually occurred as at 30 September 2012 or any future date.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

BDO Limited

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The information contained herein (other than that relating to YCSEL and parties acting in concert with it) has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

The information contained herein (other than that relating to the Group) has been supplied by the directors of YCSEL, who jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

SHARE CAPITAL

The authorised and issued share capitals of the Company as at the Latest Practicable Date were, and immediately after completion of the Rights Issue will be, as follows:

Authorised:

		<i>HK\$</i>
620,000,000	Shares as at the Latest Practicable Date	155,000,000.00
<u>580,000,000</u>	Shares to be created	<u>145,000,000.00</u>
<u>1,200,000,000</u>	Shares	<u>300,000,000.00</u>

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
435,071,650	Shares in issue as at the Latest Practicable Date	108,767,912.50
<u>217,535,825</u>	Rights Shares to be issued	<u>54,383,956.25</u>
<u>652,607,475</u>	Shares	<u>163,151,868.75</u>

All the Shares in issue rank, *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the then existing Shares in issue in all respects including rights to dividends, voting and return of capital.

Subsequent to 31 March 2012, the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company had not issued any Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

DIRECTORS

Executive Directors

Mr. Yeung Ping Leung, Howard, aged 56, was appointed as Director and the chairman of the Company in 1987 and 1998 respectively. He is a director of New World Development Company Limited and Miramar Hotel and Investment Company, Limited (both of which are listed on the Main Board of the Stock Exchange).

Mr. Tang Yat Sun, Richard, aged 60, was appointed as Director and the vice chairman of the Company in 1987 and 1998 respectively. He is a MBA graduate from The University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr. Tang is the chairman and managing director of Richcom Company Limited. He is also an executive director of Miramar Hotel and Investment Company, Limited and a director of Hang Seng Bank Limited and Wheelock and Company Limited (all of which are listed on the Main Board of the Stock Exchange) and various private business enterprises. He is also an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

Mr. Cheng Ka On, Dominic, aged 63, was appointed as Director in 1987. He is a director of Miramar Hotel and Investment Company, Limited, which is listed on the Main Board of the Stock Exchange, and is the managing director of the Onflo International Group of Companies.

Mr. Yeung Bing Kwong, Kenneth, aged 68, was appointed as Director in 1987. He has over 30 years of experience in the jewellery business.

Ms. Fung Chung Yee, Caroline, aged 60, was appointed as Director in 1987. She joined the Group in 1983. She is a member of the Remuneration Committee of the Company.

Non-executive Director

Mr. Wong Wei Ping, Martin, aged 70, was appointed as Director in 2000. He is a member of the Audit Committee of the Company. He is a director of Citizen Thunderbird Travel Limited and Columbia Express Limited.

Independent non-executive Directors

Mr. Lau To Yee, aged 75, was appointed as an independent non-executive Director in 1994. He is a member of the Audit Committee of the Company.

Mr. Cheng Kar Shing, Peter, aged 60, was appointed as an independent non-executive Director in 1997. He is a member of the Remuneration Committee of the Company and a director of King Fook Gold & Jewellery Company Limited, a wholly owned subsidiary of the Company. Mr. Cheng is a director of New World Development Company Limited, an executive director of New World China Land Limited and an independent non-executive director of Symphony Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. He is also a director of New World Hotels (Holdings) Limited.

Mr. Chan Chak Cheung, William, aged 65, was appointed as an independent non-executive Director in 2004. He is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chan is a retired partner of PricewaterhouseCoopers. He is an independent non-executive director of National Electronics Holdings Limited and The Link Management Limited (the Manager of The Link Real Estate Investment Trust).

Mr. Ho Hau Hay, Hamilton, aged 62, was appointed as a non-executive Director in 2004 and re-designated as an independent non-executive Director in June 2012. He is an independent non-executive director of New World Development Company Limited (which is listed on the Main Board of the Stock Exchange) and an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.

Mr. Sin Nga Yan, Benedict, aged 49, was appointed as a non-executive Director in 2006 and was re-designated as an independent non-executive Director in June 2012. He is a director and general manager of Myer Jewelry Manufacturer Limited. He is a member of the Australian Society of Certified Practising Accountants and a solicitor of the Supreme Court of New South Wales, Australia, the Supreme Court of England and Wales and the High Court of Hong Kong. Mr. Sin is the chairman of the Jewellery Advisory Committee and a committee member of the Fair Organising Committee of The Hong Kong Trade Development Council, a permanent honorary director of The Federation of Hong Kong Watch Trades & Industries Limited, the chairman of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association and a member of the Assembly of General Committee of Hong Kong Jewelry Manufacturers' Association.

Mr. Cheng Kwok Shing, Anthony, aged 66, was appointed as an independent non-executive Director on 22 April 2013. He is the chairman of the Audit Committee of the Company. He is a Fellow and a Certified Public Accountant (Practicing) of The Hong Kong Institute of Certified Public Accountants. He has about 40 years of experience in auditing and accounting field.

The business address of all Directors is at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth are brothers. Mr. Wong Wei Ping, Martin is their brother-in-law. Save as disclosed above, none of the Directors or members of the senior management mentioned below have any relationship with each other.

SENIOR MANAGEMENT

Ms. Wong Ka Ki, Kay, aged 55, is the general manager of the Group. She joined the Group in 1999 and is responsible for the Group's overall management and business development. She has extensive management experience in the service and retail industry.

Mr. Luk Kwing Yung, aged 65, is the general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in gold, jewellery and watch retailing. He has been with the Group for 47 years.

Mr. Yip King Hung, aged 60, is the assistant general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in branded watch retailing. He has been with the Group for 40 years.

Ms. Mok Sau Fun, aged 45, joined the Group in 2009 and is the financial controller of the Group. She has 22 years of experience in the field of finance, auditing and accounting. She holds a MBA degree from the University of Strathclyde, the United Kingdom. She is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

CORPORATE INFORMATION

Registered office	9th Floor, King Fook Building 30–32 Des Voeux Road Central Hong Kong
Company secretary	Ms. Cheung Kit Man, Melina
Authorised representatives	Mr. Yeung Ping Leung, Howard Ms. Cheung Kit Man, Melina
Auditor	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Share registrar and transfer agent	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
8th Floor, AIA Central
1 Connaught Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation
Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

PARTIES INVOLVED IN THE RIGHTS ISSUE

Underwriters

Yeung Chi Shing Estates Limited
1st Floor, King Fook Building
30-32 Des Voeux Road Central
Hong Kong

Somerley Limited
20th Floor, Aon China Building
29 Queen's Road Central
Hong Kong

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Financial adviser to the Company

Somerley Limited
20th Floor, Aon China Building
29 Queen's Road Central
Hong Kong

Legal adviser to the Company

Jennifer Cheung & Co.
Unit A, 19th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day on which trading in Shares took place in each of the six calendar months immediately preceding the date of the Announcement; (ii) 22 April 2013, being the last trading day prior to the publication of the Announcement; and (iii) the Latest Practicable Date.

Date	Closing price of the Shares (HK\$)
31 October 2012	1.08
30 November 2012	1.10
31 December 2012	1.09
31 January 2013	1.09
28 February 2013	1.02
28 March 2013	0.98
22 April 2013	0.90
30 April 2013	0.85
Latest Practicable Date	0.84

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the Relevant Period were HK\$1.23 on 2 November 2012, 3 January and 9 January 2013 and HK\$0.82 on 3 May 2013 respectively.

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Tang Yat Sun, Richard	18,619,000	<i>(Note 1)</i>	4.28%
Mr. Cheng Ka On, Dominic	1,748,000	Personal	0.40%
Mr. Ho Hau Hay, Hamilton	3,170,000	Corporate <i>(Note 2)</i>	0.73%

Notes:

- 3,585,000 Shares are personal interest and 15,034,000 Shares are interest of a controlled corporation (which Shares are held by Daily Moon Investments Limited in which Mr. Tang has a 100% interest).
- These Shares are held by Tak Hung (Holding) Co. Ltd. in which Mr. Ho has a 40% interest.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred

to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Save for disclosed above, none of the Directors are interested in any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited	364,199,232	Note	55.81%
Yeung Wing Yan	26,868,000	Personal	6.17%

Note: These consist of (i) 198,185,035 Shares beneficially owned by YCSEL; (ii) 6,160,020 Shares beneficially owned by Hilmanway Enterprises Limited, its wholly owned subsidiary; (iii) 102,172,527 Rights Shares undertaken to be taken up by YCSEL and its associates under the Underwriting Agreement; and (iv) 57,681,650 Rights Shares underwritten by YCSEL under the Underwriting Agreement.

None of the Director is a director or employee of YCSEL or Yeung Wing Yan.

Mr. Yeung Ping Leung, Howard (the Chairman of the Company and an executive Director) and Mr. Yeung Bing Kwong, Kenneth (an executive Director) and other members of their family control the management of YCSEL.

Save as disclosed above, taking no account of Shares which may be taken up under the Rights Issue, the Directors are not aware of any person (other than a Director or chief executive of the Company) who will immediately following the Rights Issue have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, Madam Kwok Yan Chee, a director of YCSEL, was interested in 3,374,000 Shares. Save as disclosed in this paragraph, none of YCSEL and its directors were interested in any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Interests in YCSEL

As at the Latest Practicable Date, the Group did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of YCSEL or its associates.

As at the Latest Practicable Date, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of YCSEL or its associates save that Mr. Yeung Ping Leung, Howard was interested in 1,575 preference shares and 161,535 ordinary shares of YCSEL, representing 10.5% and 11.79% of YCSEL's issued preferential shares and ordinary shares respectively.

Dealings in securities of the Company

During the Relevant Period, none of the Directors, YCSEL, its directors or parties acting in concert with it had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Dealings in securities of YCSEL

During the Relevant Period, none of the Company and the Directors had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of YCSEL.

Interests in other members of the Group

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

- (a) Mr. David Cheng Kam Hung was interested in (i) 20% of the issued share capital of each of Evermind Limited, Perfectrade Limited, Metal Innovation Limited, PTE Engineering Limited, Perfectrade Macau Limited, Grand Year Engineering Limited and Guangzhou Grand Year Building Materials Limited; (ii) 15% of the issued share capital of Mempro Limited; and (iii) 14.85% of the issued share capital of Mempro S.A.; and
- (b) Temple Belle Limited was interested in (i) 25% of the issued share capital of Mempro Limited; and (ii) 24.75% of the issued share capital of Mempro S.A., which has applied for liquidation during the year ended 31 March 2008.

As at the Latest Practicable Date, no capital of any subsidiary of the Company is under option or agreed conditionally or unconditionally to be put under option.

Interests of experts in the Group

None of the experts named in the paragraph headed “Qualification of experts” in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Interests in assets, contracts or arrangements

- (a) The Company entered into a licence agreement dated 7 December 1998 (as supplemented on 10 September 2004) with YCSEL pursuant to which the Company was granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of “King Fook” on a worldwide basis for a total consideration of HK\$1. The agreement commenced from 7 December 1998 and does not fix the termination date.
- (b) King Fook Jewellery Group Limited (“KF Jewellery”), a wholly owned subsidiary of the Company (as tenant) entered into a tenancy agreement dated 12 April 2013 with Fabrico (Mfg) Limited (a wholly owned subsidiary of YCSEL) relating to Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon for a term of two years from 1 April 2013 at the monthly rent of HK\$25,000 exclusive of rates.

- (c) The Company and KF Jewellery (as tenants) and Stanwick Properties Limited (“Stanwick”), a wholly owned subsidiary of YCSEL (as landlord) entered into 7 tenancy agreements all dated 8 July 2011 in respect of Basement, Ground Floor, Mezzanine Floor, and 3rd, 5th, 6th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong for a term of two years from 16 August 2011 at the total monthly rent of HK\$781,465, exclusive of management fees and air-conditioning charges currently totalling HK\$85,260 per month, and rates.
- (d) The Company (as tenant) and Stanwick (as landlord) entered into a tenancy agreement dated 30 December 2011 in respect of 7th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong for a term of 20.5 months from 1 December 2011 at the monthly rent of HK\$34,020, exclusive of management fees and air-conditioning charges currently totalling HK\$8,820 per month, and rates.
- (e) The Company entered into an agreement dated 8 July 2011 with Stanwick (as landlord) pursuant to which the Company is granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) at the monthly fee of HK\$25,480 for a term of two years from 16 August 2011.
- (f) KF Jewellery has entered into a vehicle licence agreement with YCSEL pursuant to which KF Jewellery leases a vehicle from YCSEL at the annual rent of HK\$1 commencing from 1 April 2011 and renewable automatically every 12 months after its commencement until one party serving one month’s advance notice of termination to the other party.

Save as disclosed above, none of the Directors or experts named in the paragraph headed “Qualification of experts” in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up, and none of the Directors has any interests in contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

Service contracts

For his service as an executive Director, Mr. Yeung Bing Kwong, Kenneth was paid a monthly salary of HK\$22,720 during the year ended 31 March 2013 as determined by the Remuneration Committee of the Company. His monthly salary has been increased to HK\$23,630 with effect from 1 April 2013 as determined by the Remuneration Committee of the Company. He has no service contract with the Company.

Save as disclosed above there is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Announcement; (ii) which is continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period.

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Miscellaneous

As at the Latest Practicable Date:

- (a) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by Somerley or the Independent Financial Adviser or by any adviser to the Company as specified in class (2) of the definition of associate (excluding exempt principal traders) under the Takeovers Code;
- (b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company was owned or controlled by a person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (c) YCSEL or any person acting in concert with YCSEL had no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (d) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company was managed on a discretionary basis by fund managers connected with the Company;
- (e) none of the Company, any Directors, YCSEL or any person acting in concert with YCSEL had borrowed or lent any Shares;
- (f) none of YCSEL or any person acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (g) no benefit has been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;
- (h) save for the Underwriting Agreement, there was (i) no agreement, arrangement or understanding (including any compensation arrangement) between YCSEL or any person acting in concert with it and any director, recent director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver; and (ii) no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;
- (i) save for the Underwriting Agreement and the agreements mentioned in the paragraph headed “Interests in assets, contracts or arrangements” above, no material contracts had been entered into by YCSEL in which any Director had any material personal interest;
- (j) save for the Underwriting Agreement, there was no agreement or arrangement to which YCSEL was a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;

- (k) save as disclosed in the section headed “Disclosure of Interests” above, no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company was owned or controlled by any persons acting in concert with YCSEL; and
- (l) no Shareholders (including the Directors who owned or controlled any Shares or any other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company) had, prior to the posting of this circular, irrevocably committed themselves to vote for or against the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver or to accept or reject the Rights Issue except the undertaking of YCSEL mentioned in the paragraph headed “Irrevocable undertaking from YCSEL” in the letter from the Board set out in this circular and that Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Mr. Ho Hau Hay, Hamilton have informed the Company that they intend to vote for the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

MATERIAL CONTRACTS

Save for the Underwriting Agreement, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years preceding the date of the Announcement which are or may be material.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
BDO Limited	Certified Public Accountants, Hong Kong
Beijing Securities Limited	a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

CONSENTS

The experts named in the paragraph headed “Qualification of experts” in this appendix have given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

GENERAL

- (a) The secretary of the Company is Ms. Cheung Kit Man, Melina. She has over 28 years’ experience in company secretarial work.

- (b) The registered office of YCSEL is situated at 1st Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong. The directors of YCSEL are Madam Kwok Yan Chee, Gether Wealth Limited, Global H.K. Investments Limited, Kennet Nominee Limited and YCS International Development Limited. Madam Kwok Yan Chee, Madam Yeung Ho Wai Ping, Mr. Yeung Ping Leung, Howard, Mr. Yeung Bing Kin, Mr. Yeung Ka Shing and Ms. Yeung Sze Man, all of 1st Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong, are principal members of parties acting in concert with YCSEL.
- (c) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any members of the Concert Group and any other person whereby the Shares to be acquired under the Rights Issue will be transferred, charged or pledged to any other persons.
- (d) The English text of this circular shall prevail over the Chinese text.

EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, legal and accounting fees, are estimated to be approximately HK\$4,600,000 and will be payable by the Company.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including 29 May 2013, being the date of the EGM; (ii) on the website of the SFC (<http://www.sfc.hk>); and (iii) on the Company's website (<http://www.irasia.com/listco/hk/kingfook/index.htm>):

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of YCSEL;
- (c) the annual reports of the Company for the two years ended 31 March 2012;
- (d) the interim report of the Company for the six months ended 30 September 2012;
- (e) the letter from Beijing Securities;
- (f) the letter from the Independent Board Committee;
- (g) the accountants' report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group issued by BDO Limited, the text of which is set out in Appendix II to this circular;
- (h) the Underwriting Agreement; and
- (i) the written consents referred to in the paragraph headed "Consents" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



king fook holdings limited 景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the above mentioned company (the “**Company**”) will be held at Tsui Hang Village, 2nd Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong on 29 May 2013 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the authorised share capital of the Company be and is increased from HK\$155,000,000 to HK\$300,000,000 by the creation of an additional 580,000,000 shares of HK\$0.25 each of the Company (“Shares”);
- (b) the issue by way of rights of 217,535,825 new Shares (“Right Shares”) to shareholders on the register of members of the Company on 4 June 2013 substantially on the terms and conditions set out in the circular of the Company dated 13 May 2013 (a copy of which marked “A” has been submitted to the meeting and signed by the Chairman for the purpose of identification) and such other terms and conditions as may be determined by the directors of the Company, be and is hereby approved and the directors of the Company be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document;
- (c) the underwriting agreement dated 22 April 2013 (as amended on 25 April 2013) between inter alia, the Company and Yeung Chi Shing Estates Limited (“YCSEL”), a copy of which marked “B” is produced to the meeting and signed by the Chairman for the purpose of identification, whereby YCSEL agrees to take up its and its associates’ entitlement in full under the Rights Issue and to underwrite up to 57,681,650 Rights Shares under the Rights Issue (the “Underwriting Agreement”) be and is hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to implement the transactions contemplated by the Underwriting Agreement; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the granting of a waiver to YCSEL and parties acting in concert with it (the “Concert Group”) of any obligation to make a general offer under the Code on Takeovers and Mergers for all the issued Shares (other than those owned or agreed to be acquired by the Concert Group) as a result of the subscription of Rights Shares pursuant to the Underwriting Agreement and/or pursuant to any application of the Concert Group for any excess Rights Shares accepted by the Company be and is hereby approved.”

By Order of the Board
Cheung Kit Man, Melina
Company Secretary

Hong Kong, 13 May 2013

Registered office:

9th Floor
King Fook Building
30–32 Des Voeux Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint not more than two proxies (except a member who is a clearing house or its nominee may appoint more than two proxies) to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company’s registered office at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.